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**CHINA'S INTERNAL MIGRATION, PUBLIC POLICIES,
AND ECONOMIC GROWTH**

by

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**CHINA'S INTERNAL MIGRATION, PUBLIC POLICIES, AND ECONOMIC
GROWTH**

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ABSTRACT

Studying the internal migration of China since 1949, the overall effect of migration on economic performance has had a discernible impact both positive and negative at different times. There are two distinct aspects: the actual migration patterns and their relative effects on the economy; and the domestic policies enacted by the PRC that directly prompted movements whether intentional or not. This thesis has led to the conclusion that it was the push and pull aspect or opposing forces of domestic policies and the migration of the people and labor throughout this entire time period that helped shape economic successes and failures in China. This push and pull aspect is the push by the PRC to control (via domestic policies) migration patterns or urban growth and the pull (internal migration) of businesses and firms for relatively cheap labor that drive internal migration. This in my opinion is the most important aspect in this thesis. The impact that of circular cause and effect is, in turn, a crucial basis of either the economic successes or failures seen throughout the time periods examined in this thesis.

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LIST OF ACRONYMS AND ABBREVIATIONS

CCP	Chinese Communist Party
CR	Cultural Revolution
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GLF	Great Leap Forward
GNP	Gross National Product
HDI	Human Development Index
HEI	Higher-level Education Institutions
HRS	Household Responsibility System
IHDI	Human Development Index adjusted for Inequality
PDP	Province Destination Propensity
PRC	Peoples Republic of China
SEZs	Special Economic Zones
WWII	World War Two

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I. BRIEF OVERVIEW

A. INTRODUCTION

The Chinese Communist Party (CCP) today faces a number of domestic challenges in maintaining political economic stability. Of central importance to the current and future regimes is to keep the public perception of legitimacy and remain in power. With the fear of losing power or another Tiananmen Square incident occurring numerous domestic political issues could derail the current gross domestic product growth rate that is, in turn, keeping China competitive on the global market. One central question that arises from these challenges is: How has the internal migration of China's population had an impact on the economic policies and strategies implemented by the CCP and have these policies had a discernible impact on why there was economic success or failure during specific time intervals?

This thesis will examine trends in natural migration (independent variable) over different time periods; and examine the effect of these trends on the policies enacted by the CCP (intervening variable) and, in turn on economic growth (dependent variable). One issue to note is that the relationship between the independent and intervening variables is, at times, circular. In some cases natural migration will push the CCP to put in place rules and regulation on migration. In other periods of time the CCP will implement rules and regulation that force a migration to certain sectors of society to push the regime's economic growth plan. These two variables are interactive and both at times affect economic growth.

B. IMPORTANCE

An analysis of internal migration in China and its effects on economic growth is an important contribution to causal understanding of China's economic successes and challenges. From studying the natural internal migration of the Chinese people and policies implemented by the CCP to influence this migration, a causal explanation of economic growth can be delivered through a comparative study from 1949 to present. One aspect of natural migration will be how industrialization influenced the population

within China to migrate for better prospects of employment and how the CCP either formed regulations to halt or push migration in hopes of economic growth. This economic growth will be explained in terms of GDP growth trends, along with attention to human rights and other social and political implications. All of these factors analyzed together shed light on the true roots of Chinese economic growth since 1949.

One important aspect of this study is to discover the possible explanations for patterns in China's economic growth from 1949 through the present. These internal migration effects can be studied and applied elsewhere throughout the world. From this, connections can be made to the future stability of the Chinese economy. The stability of China is one of the most important aspects of today's global economy. With the high amount of interdependence throughout the world and vast amounts of goods imported and exported to and from China, the stability of this economy can have disastrous or beneficial effects on not only the East Asia region but also the entire world.

Lastly, how has economic growth been affected by decisions made by the regime to either stimulate these mass movements and also the reactions of policies of the regime to counteract natural migrations of the population after 1949 through the present? From studying this question, not only can the stability of China be studied but also the effects of growth on the population, in terms of living standards and inequality throughout the country.

C. PROBLEMS AND HYPOTHESES

The conclusions expected to come to light are that migration patterns do have a large impact on the Chinese regime's domestic policies; and that these policies, in turn, have a large impact on the GDP growth of the country. While these policies cannot be and are not the only cause of the growth, they affect growth, which in turn demonstrates that internal migration does have an impact on GDP growth. The domestic policies of the regime enacted to stop natural migrations and force its population to stay in a particular region can, additionally, have numerous consequences. These policies can bring to light the ways in which inequality and living standards are increasing or decreasing over the course of 1949 to the present period.

An example of a major internal migration event is the Great Leap Forward (GLF), and the effects still felt today in China. GLF policies impacted the country a great deal, skewing its demographics in a direction unusual for a developing country. During the GLF, in efforts by the CCP to catch up with the western world in terms of industrialization, the CCP emplaced rules and regulation to halt the natural migration of its society. The CCP created communes of farms (keeping citizens on the farms) and moved its citizens into the industrialization sectors of the country. This disastrous policy by the CCP affected the growth of the economy in many ways. For human life, “about 25–30 million excess deaths occurred due to the great Chinese famine. In addition, another roughly 30 million births were postponed due to malnutrition and shortage.”¹

In terms of economic growth, the natural migration pattern during this time was to the cities for better employment. Once the CCP put in place regulation to halt the natural migrations to cities and forced citizens to move to cities or stay on farms, economic growth started to decrease. With this push to catch up to the western world, farm production fell short of much needed to food to feed the country. In addition, the push to industrialize faster also did not help: “While much of the output was unusable junk, the fundamental problem was not poor quality of industrial output, but rather the drain of resources and manpower away from agriculture that was entirely unsustainable.”² The policies emplaced by the CCP during this time counteracted the natural effects of migration; from this the population suffered and along with it the GDP growth of the country.

A hypothesis emerging from this time period suggests that, not only does stopping the natural migration patterns of the population of China hurt economic growth, but also living standards and human rights will suffer in addition. The CCP shows it will respond to natural migrations by ensuring what it perceives as the best path to obtain economic growth. These policies, in turn affect growth by pushing the country into an unnatural path of migration.

¹ Barry Naughton, *The Chinese Economy Transitions and Growth* (Cambridge: The MIT Press, 2007), 72.

² Barry Naughton, *The Chinese Economy*, 71.

D. LITERATURE REVIEW

In a review of the literature with concerns to internal migration and how it affects domestic policies, in turn affecting economic growth, the questions asked by authors mostly revolve around how the natural migration patterns of the Chinese population affect the actions of the CCP regime. The literature is broken up into four time periods, each with distinct patterns in terms of internal migration and the domestic policies and economic consequences of that migration.³ This method of breaking up of the time periods is taken from Barry Naughton's *The Chinese Economy*. Figure 1 shows a general flow of annual migration and urbanization patterns. In this figure, "Urbanization means an increase in the proportion of a nation's population living in urban areas, and is different from urban population growth. A country could have a rapidly increasing urban population and expanding cities without urbanization if the country's urban population is increasing more slowly than its total population."⁴ Studying the significance of Figure 1, there was actually a decrease in urbanization during the post GLF era, as urbanization levels decreased from 16 percent to 14.4 percent until 1977. This is significant because it shows there was a significant event in migration during this period; as people moved back out of the cities after the GLF. Studying the spikes in urbanization where significant events occurs is a fruitful way to determine the best way to break up the time periods to be studied. A brief discussion of each time period is presented below to illustrate core explanations in the literature. The chapters that follow delve into these time periods and the causal relationship between migration and economic growth in more depth.

³ Barry Naughton, *The Chinese Economy*.

⁴ Harry Xiaoying Wu, "Rural to Urban Migration in the People's Republic of China," *The China Quarterly*, no. 139 (Sept 1994), 690.

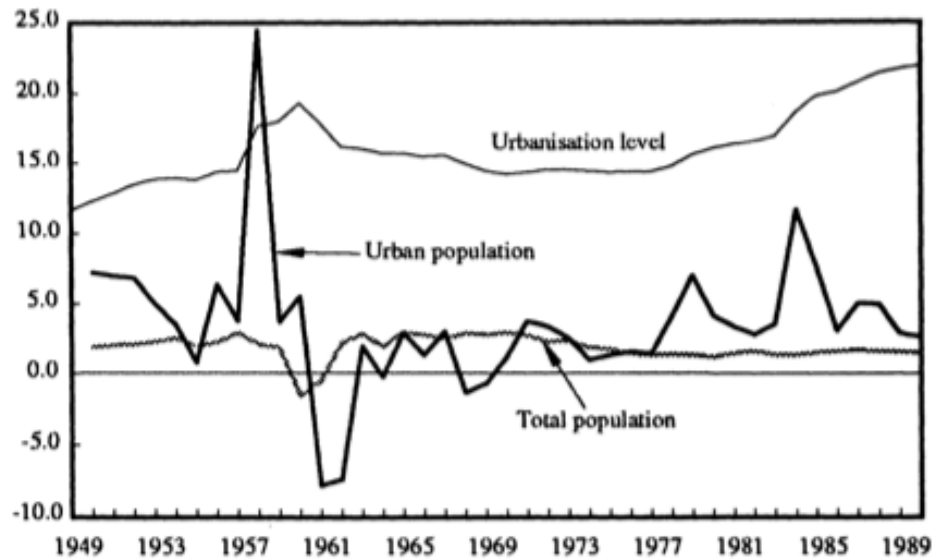


Figure 1. Annual Growth Patterns of Chinese Total Population, Estimated Urban Population, and Urbanization Level, 1949–90 (percent) (From Wu, 1994)

1. Migration and Domestic Politics 1949–1958

Much of the literature from 1949 when the PRC claimed independence until the Great Leap Forward (GLF) centers on natural urbanization. The Government eased the regulation on allowing people to move to the cities to help push industrialization. “In the years immediately after 1949 and during the first Five Year Plan in 1953, peasants flocked to the cities, heeding the call to help in reconstruction and industrialization of economy.”⁵ One such trend was urbanization levels from 1949 to 1957; there is a steady increase of urbanization from 12.6 million in urban centers to 16.4 million in 1957.⁶

One core question raised on this topic by Dorothy Solinger in *Contesting Citizenship in Urban China*, is “Why did the revolutionary Chinese state after 1949 convert country dwellers into members of an ascribed status group, altogether separate from city kin.”⁷ This ascribed status group refers to, “...A great difference in interest

⁵ Marc Eichen and Zhang Ming, “Internal Migration in the People Republic of China,” *Focus On Geography* 42 (1992), 20.

⁶ Harry Xiaoying Wu, “Rural to Urban Migration,” 672.

⁷ Dorothy J. Solinger, *Contesting Citizenship in Urban China* (Berkeley: University of California Press, 1999), 27.

came from the difference in where one lived...a ranking structure was gradually established with peasants house hold at the lowest level.”⁸ She goes on to answer this question by pointing out, “peasants could now enter cities and contribute to the productivity there, but the state need not provide for them.”⁹ This question and answer leads to a common theme in much of the research, that the government was willing to emplace controls on natural migration and that the effects of the human toll are not of high value to the Chinese regime, but that the legitimacy of the regime and growth of the GDP would be the top priority. In this case economic policies had a large effect on GDP growth from the perspective of low wage labor. This easing of regulation would only last a short time though, as the labor pool became saturated in the cities and the government soon had to issue restrictions on travel until the GLF.¹⁰

2. Migration and Domestic Politics 1958–1978

The Great Leap forward would set the stage for the next eight years after its collapse. This period of 1958 to 1978 is used because the GLF (1958–1960) sets the stage on policies emplaced after the end of the GLF. Due to the devastation from the GLF, “Finally, in early 1961, the Chinese leadership recognized the necessity of drastic action.”¹¹ It is this drastic action that would shape the policies emplaced until 1976, when Mao Zedong died and a new leadership came into power.

In much of the literature on this period, the GLF is described as a disastrous policy implemented by the government as it pushed to industrialize. The government mobilized massive numbers of people through four distinct policies. First communes were established to mobilize labor for construction projects, provide social services and develop rural small-scale industries; second, material incentives and monetary rewards were rejected or basically free market activity in the country side was shut down; third,

⁸ Dorothy J. Solinger, *Contesting Citizenship*, 35.

⁹ Dorothy J. Solinger, *Contesting Citizenship*, 55.

¹⁰ Marc Eichen and Zhang Ming, “Internal Migration,” 20.

¹¹ Barry Naughton, *The Chinese Economy*, 72.

control over economic decision-making was decentralized.¹² Lastly, “A ‘walking on two legs’ technology policy was established, in which simple technologies (appropriate to a poor nation) were to be combined with advanced industrial technology.”¹³

These policies would again halt natural internal migration to ensure China’s GDP growth and to help it catch up with the already industrialized parts of the world. Domestic policies on internal migration thus had an impact on growth, lowering it. By contrast when regulations on movement are eased, positive GDP growth will soon follow.

3. Migration and Domestic Politics 1978–1993

The predominant theme of the migration literature focused on the 1978–1993 period is a focus on eased regulations on internal migration. “Migration has increased significantly since 1978, most notably as manifested in the ‘floating population’; the introduction of the household responsibility system in 1978 has increased agricultural productivity and has created a surplus of labor in rural China, further encouraging migration to cities.”¹⁴ “The floating population is composed of migrants to cities who do not have urban household registration cards.”¹⁵ Household registration cards grant permission from the government for a person to live in an urban center and with that registration comes support from the government like medical care. The creation of the floating population was in large part due to the relaxation of the regulation after the death of Mao Zedong and the effects of cheap temporary labor.

Other questions raised by Solinger revolve around the floating population of China post 1979 and the Deng era economic reforms. She states that these populations were formed from these reforms (enacted by Deng) as 60–80 million people were lured into cities to help push industrialization.¹⁶ The question asked is how the government accomplished these migrations; this question is answered in terms of the rules and

¹² Barry Naughton, *The Chinese Economy*, 70.

¹³ Barry Naughton, *The Chinese Economy*, 70.

¹⁴ Harry Xiaoying Wu, “Rural to Urban Migration,” 375.

¹⁵ Zai Liang and Michael J. White, “Internal Migration in China,” 375.

¹⁶ Dorothy J. Solinger, “Citizenship Issues in China’s Internal Migration: Comparisons with Germany and Japan,” *Political Science Quarterly* 114, no. 3 (1999), 464.

regulations allowing the population to migrate naturally to cities growing the urban population.¹⁷ Overall, the predominant question raised by authors with concern to migration is: how did the government help or hinder these population movements and how did the regime retain control over mass internal migrations of China? It was not until the Deng reform era that people could move more freely.

Harry Wu asks, what is the actual size of these migrations and how have they affected urbanization? In addition, he asks how migration has changed as rules and laws have become more relaxed for rural to urban migrations. One issue neglected in this article is the floating population or seasonal migrations.¹⁸ This floating population can have a large effect on cities since it consisted of low paying employment.

4. Migration and Domestic Politics 1993–Present

The literature written about 1993 to the present mainly covers how the permanent movement of cheap labor to larger cities is prohibited through regulations. “Today, China’s internal migration policy reflects concern for the steep pyramid of urban primacy within the country: the very big cities are allowed fewer new residents...”¹⁹ While these regulations are enacted to stop the over-population of the cities, the temporary floating population is still moving to cities for the promise of better pay and employment. With an over-population of cities, the ability to find employment can decrease. With this decrease in employment in labor in the urban centers, instability could arise.

Solinger asks, “How to handle the question of citizenship of massive numbers of migrants pushing into its major cities?”²⁰ The topic of what to do with the growing population of migrant workers is predominant in much of the literature. The CCP uses the *Hukou* registration system to control what citizens can live in defined urban areas. Citizens within this registration system receive government services and are legally allowed to live in a certain urban area. While China uses the *Hukou* to limit the growth of

¹⁷ Dorothy J. Solinger, “Citizenship Issues in China,” 464.

¹⁸ Harry Xiaoying Wu, “Rural to Urban Migration,” 670.

¹⁹ Marc Eichen and Zhang Ming, “Internal Migration,” 20.

²⁰ Dorothy J. Solinger, *Contesting Citizenship*, 277.

permanent residents residing in an urban center, the percentages of people living in urban centers from the *Hukou* system is growing faster than the population permitted to live in them.²¹ This is an interesting concept for the regime to handle: although cheap labor is positive for growth, it can have negative impacts when the labor pool is over-saturated. One positive effect from this cheap labor is that the government saves money because these citizens will not receive government benefits from the cities they live in from the *Hukou* system, but with too many workers in the labor pool a lack of employment can bring instability as workers struggle to find employment.

E. POLICY IMPLICATIONS

The concluding theme and points of convergence in existing research is that prior to 1978/79, “In general, the uniquely strong state apparatus shaped and dominated the dynamics of migration.”²² Whether migration during these times was pushed by the regime for increased industrialization or an increase in food production, up until 1978 the CCP controlled migration to ensure that the regime controlled economic growth. Again, the human toll of these domestic policies are not perceived as significant as long as GDP is growing. It seems apparent that the CCP will do whatever it takes to ensure growth and stay in power.

The main disagreement in terms of trends of internal migration is the method of how the numbers for the trends were derived. In an article by Liang and White, these trends were taken by using a “Two per Thousand Fertility and Birth Control Survey...This data set is a nationally representative sample containing information on interprovincial migration for all members of the households surveyed.”²³ This survey research takes into account the floating population. In contrast, the Wu article does not take in the floating population and only tries to account for natural growth of the urban areas due to migration. He takes his measurements using “available aggregate data, to estimate the real size of Chinese urban populations over the period 1949–90...analyze

²¹ Barry Naughton, *The Chinese Economy*, 127.

²² Zai Liang and Michael J. White, “Internal Migration in China,” 375.

²³ Zai Liang and Michael J. White, “Internal Migration in China,” 376.

patterns of China's urbanization and migration in the process of industrialization in both pre-reform and post-reform periods.”²⁴ The floating population is the key variable at issue; with the vast number included in this migration, it could have an effect on economic policies put in place by the regime, in turn effecting economic growth. My position on the floating population is that it is significant in studying economic policies and overall economic growth. It is estimated that 60–80 million people are included in the floating population, a large enough number I believe to have an effect on the economic policies and true economic growth.

Scholars have observed the effects that these domestic policies in response to internal migration have had on economic growth in terms of GDP. The policies observed involve how the CCP pushed for migration or stopped people from migrating. Again, this is due to whatever the current regime thought to be best for economic growth, at least after the Great Leap forward (GLF) and during the reform era post 1978. During the GLF until 1978 the economy was not highly successful and the country suffered a massive loss of its labor force. By contrast, the government freed up the population to move during the reform era of post 1978. During this same time, the economy began to grow and increase in value: “According to official data which is shown in Table 6.1 the average annual GDP growth accelerated from 6 percent in the pre-1978 period to 9.6 percent in the 1978–2005 period.”²⁵

An alternative policy observed in this set of literature is that “the lack of new labor in China's cities has probably put a damper on economic growth.”²⁶ This is a lack of jobs in general throughout the entire country, rural and urban. From this, the CCP has put new restrictions on permanent migrations to larger cities and emplaced policies to grow the medium sized cities; this puts a strain on smaller cities and increases instability throughout the country.²⁷ This is also an interesting concept to look at: while the GDP of

²⁴ Harry Xiaoying Wu, “Rural to Urban Migration,” 670.

²⁵ Barry Naughton, *The Chinese Economy*, 140.

²⁶ Marc Eichen and Zhang Ming, “Internal Migration,” 20.

²⁷ Marc Eichen and Zhang Ming, “Internal Migration,” 20.

China is growing, how long can it keep growing as the smaller cities are put under strain from the growth of the population as a whole?

The overall theme reached is that the population is just too large for the amount of employment available and from this the use or lack of use of internal migration control will not have an effect on overall GDP growth at this present time. These conclusions are sound because observing the past internal migration controls of the government does indeed line up with the overall economic growth up until 1978. The larger the migration control, the less likely the outcome of economic growth would be positive. This in turn, illustrates that domestic policies have an impact on economic growth. Additional factors that must be considered are the impact on living standards or inequality.

The overall quality of the literature is solid with concerns to pure economic growth from domestic policies emplaced due to migration needs. The most important information learned is that the migration patterns of a population certainly have an overall effect on the growth of GDP. In China, the CCP has tried to manipulate that migration, with both success and failure. Again, the missing piece is the connection between GDP growth and the impact on living standards and inequality, one that is vitally important to measuring true economic success. Moreover, there is a lack of public information on the actual death tolls from all the domestic policies emplaced during the post 1949 to present era. The world may never know the actual numbers of human devastation put on the Chinese people as the CCP strives for the need for GDP growth.

From studying literature that concerns internal migration in China, it is also important to study other countries and how the policies in these countries have affected the migration of workers. In a comparative study between Japan, Germany and China, it is important to look at what these two countries did in developing after World War II (WWII); as all three countries were developing at the same time. "But neither of these countries (Germany and Japan) devised a developmental agenda that locked the peasants onto the land in the interest of modernizing cities, as China did; both of them had admitted their farmers as full-fledged workers as soon as the need arose."²⁸ I conclude

²⁸ Dorothy J. Solinger, "Citizenship Issues in China," 471.

that Germany and Japan would have never been allowed to do this for the simple fact that both Germany and Japan were under the eye of the international community; whereas China was isolated and closed off from the world. In addition to the international community, the governments in Germany and Japan were not authoritarian as was the regime in China during this time.

F. METHODS OF RESEARCH

With internal migration driving the economic policies of the CCP regime, how does this have an effect on the economic successes of China? To answer this question, I will conduct a comparative study of this relationship among migration, economic policies, and growth across four time periods. The first time period will be 1949 through 1958; the significance of this time period is the alignment of the Chinese regime with the Soviet Union. During this time period of 1949 through 1958 the PRC was receiving significant economic aid and military aid from the Soviet Union. In addition, prior to the Great Leap Forward, the country was actually growing as far as GDP is concerned. This time period is significant because the domestic policies in place from the regime in China changed dramatically as the Great Leap Forward (GLF) began.

The next time period to be measured is from 1958 through 1978. This start date is important due to the declining relationship with the Soviet Union and decline of aid from the Soviet Union. Also coinciding with this date, 1958, is the start of the GLF and the toll it took on the population. The GLF and the negative impacts it would cause, such as economic growth decline and famine, would shape the domestic policies of the communist party from 1960 and onward. The end of this period of measurement to 1978 is used because of the significance of China opening up, coinciding with the first visit to China from the United States.

The next phase to be measured will be 1979–1993. This is significant due to the beginning transition of China to a market economy and the push for real competition on the global market. “From 1979 onward, the discussion of specific economic policies belongs with the contemporary period of economic reform, rather than with the legacies

of the command economy.”²⁹ This of course was made possible by the death of Mao Zedong in 1976 and the freedom of the new leadership of the CCP to make economic changes. During this period up until 1993 the emphasis was on transition to a market economy, this would have profound impacts on society in China, from land reforms to competition in the market place.

Lastly, 1993 through the present period will be studied as China comes closer and closer to being a peer competitor to the United States. 1993 is used because there was “a shift from inflation to price stability, a dramatic downsizing of the state-enterprises sector, the acceptance of a moderate amount of privatization, and the emergence of a ‘reform with losers’.”³⁰ It is this shift to an even more free market economy in 1993, as to why this date is used. With more privatization of businesses and more freedom, the domestic issues facing the regime would change from the previous period.

The reason for this type of organization is because each period of time differs vastly from the other in terms of economic reforms and domestic context. From this the migration trends can be studied followed by policies implemented. Only after this is studied can the actual growth be looked at and then lastly the possible reasons why this growth took place. In the conclusion, all four eras of time will be compared and a final analytical observation will be proposed. Each time period will have a short section of historical background explaining the prior economic conditions, which sets the scene for the reforms that would be seen during this each time period. The four time periods will be then put together in a comparative study; they will be analyzed against each other and the evolution of migration policies will be observed, which in turn can be used to observe possible future trends for the CCP.

Within each time period the overall trends in natural migration (independent variable) will be studied. Subsequently, I will examine the effect of natural migration on the policies emplaced by the CCP (the intervening variable). One issue to note is that it seems that this relationship between the independent and intervening variables at times is

²⁹ Barry Naughton, *The Chinese Economy*, 79.

³⁰ Barry Naughton, *The Chinese Economy*, 100.

circular. In some cases the natural migration will push the CCP to put in place rules and regulation on migrations. In other periods of time the CCP will implement rules and regulation that force a migration to certain sectors of society to push the regime's economic growth plan. These two variables are interactive and both at times affect economic growth. An example of a measure of the independent variable would be the migration trends from 1949 to 1958 leading up to the Great Leap Forward. One such trend was urbanization levels from 1949 to 1957; there is a steady increase of urbanization from 12.6 million in urban centers to 16.4 million in 1957.³¹ This was due to the easing of regulation by the CCP, which in turn allowed the citizens to move to urban centers for work.³²

Economic success (dependent variable) will be measured by three calculations; first by economic growth measured in increases in Gross Domestic Product and second by increase of living standards as measured by the Human Development index (HDI). Economic success cannot truly be reached unless there is an increase in number of people throughout the country beneficially affected by increases in gross domestic product. While these two measurements are important, not every aspect of economic success can be measured. The third and last measurement will be the Human Development index adjusted for inequality (IHDI). Since, the use of the IHDI is relatively new, in cases where the IHDI has not measured for China, the GINI coefficient may be used to measure inequality. From this, to have an economic success from one interval of the years being studied to the next there must be an increase of either the average living standards or a decrease of the inequality of the classes, along with an increase in GDP. While this method of measurement is quite rigid, true economic success cannot be attained without this.

One immediately evident problem is a lack of information. For example, there is a lack of information on internal migration during both the GLF and the period directly following, which can lead many to doubt where this information was derived.³³

³¹ Harry Xiaoying Wu, "Rural to Urban Migration," 672.

³² Marc Eichen and Zhang Ming, "Internal Migration," 20.

³³ Zai Liang and Michael J. White, "Internal Migration in China," 376.

Inherently, given the lack of transparency around many of the PRC's decisions and outcomes, problems can arise because of missing information or data. While this does not lead to a complete lack of information, it does create a potential situation that may inhibit a firm conclusion to the research question. These missing pieces could possibly skew the conclusions if enough information is missing.

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II. POST REVOLUTIONARY RECOVERY AND THE URBAN MIGRATION BOOM, 1949 1958

A. INTRODUCTION

The time period before 1949 in China is a time filled with revolution and change through out the entire country. In 1949 with the take over of Mao Zedong's Communist regime over the National Government of the Republic of China, the entire government was going to change in almost every aspect on both a macro level and micro level, with almost every citizen being affected by the new regime in power. In 1949 Mao Zedong would found the People's Republic of China (PRC). During the time directly after 1949 till his death in 1976, Mao Zedong would lead the country and his influence would direct the country in the specific directions that he saw fit. This would have both a positive and negative effect for the country as a whole. This chapter will argue that internal immigration during this time did affect the growth of the country in terms of both Gross Domestic Product and also in the general living standards category, positively in relation to pre-revolution standards.

My key arguments in this chapter will be that the domestic policies emplaced to push internal migration had a moderate and overall positive effect on the economy, in terms of both GDP and living standards for the population. In the urban sectors, both an increase of state-invested industrial projects adding to overall employment and a safety net for those working in that sector were positive contributing factors to the overall economic assessment. In the rural sector the lack of that safety net was a negative factor for the economy, yet improvements in living standards and better living conditions even without the state provided safety net were positive. Lastly, overall GDP growth over the time period for the PRC was 6.0 percent, an impressively high rate. From the migration controls that were emplaced, the state was able to control and have a discernible and positive impact on the economy, as will be argued in more detail in this chapter.

B. HISTORICAL AND DOMESTIC BACKGROUND

Historically and domestically, 1949–58 is one of the most important periods in modern Chinese history. In 1949 with the founding of the PRC by Mao Zedong, the future of China was still far from apparent. Prior to 1949, China had been at war on its homeland and it's "economy was in shambles"³⁴ With the invasion of the Japanese onto the Chinese homeland in 1937 prior to World War II (WWII) until their defeat in 1945 the Chinese economy was in disarray from the Japanese occupation. Following the defeat of the Japanese in 1945 and their withdrawal from China, the economy was still in disarray because of the fighting from Mao Zedong's forces to destroy the Nationalist Government of China.

Although the fighting by the Communists against the Nationalists had started prior to WWII, even after WWII with the defeat of Japan, the largest problem for the Nationalist Government was not the Communists, it was the failed economy and decreasing support from the population for the Nationalist state. During this time period directly after WWII:

The average urban Chinese was attracted to the Communists by economic factors as much as or more than belief in the Soviet philosophy. Rampant inflation forced prices up by a factor of ten during 1948 alone, and there was widespread unemployment. The Nationalists seemed unable to solve these problems, while the Communists claimed they could once they had taken power.³⁵

The importance of this history prior to the founding of the PRC in 1949 is because it lays the groundwork or sets the stage for the motivation, urgency and mind frame that in which the new leadership of the PRC would find itself in 1949. From this, one of the most important tasks in founding the new country would be establishing legitimacy both domestically and internationally.³⁶ To accomplish this goal the leadership of the newly founded PRC would establish the new government; overcome residual opposition to the

³⁴ Alice Miller, "XIII. CHINA UNDER MAO Parts I (1949–60) & II (1960–76)," 4.

³⁵ Bruce A. Elleman and S. C.M. Paine, *Modern China Continuity and Change 1644 to the Present* (Boston, MA: Prentice Hall, 2010), 342.

³⁶ Alice Miller, "XIII. CHINA UNDER MAO, 5–6.

PRC; ensure national unification and end the civil war and overcome international isolation and gaining recognition.³⁷ This difficult set of goals for the PRC, to build legitimacy both domestically and internationally, helps shed light on some of the motivations of the PRC to enact many of the domestic policies during the period directly after 1949. The fall of the Nationalist government was partly due to a loss of confidence from its population; still presently, political stability is a top priority for the PRC and drives many of its policies. “China’s leaders are obsessed with what they call ‘social stability’, in other words, the prevention of large-scale unrest that could bring down the Communist regime.”³⁸

In addition to the economy and country as a whole being in disarray, other factors would help drive the decisions made by the PRC, in particular the influence of the Soviet Union. As both the PRC and the Soviet Union were Communist Socialist Governments, and the Soviet Union being the both the model of a “proper” Communist state and source of aid to the PRC, it would also directly influence the direction of the PRC domestically. Lastly, since both the PRC and Soviet Union aimed to hedge against the western powers an alliance would serve the best method to thwart western influence. During this time period, both the Soviet influence and need for the PRC to remain domestically stable, would contribute to the policies enacted toward migration within the country.

The Soviet influence during this time frame was strong as China was a young Communist state that relied on training, financial and technical aid to both its growing industry and its military. Another concept that the PRC would adapt would be Soviet-style restrictions put on people and movement.

Surely the Soviet experience in limiting the growth of major metropolises, in controlling movement through an exclusive permit (the propiska) for living in big cities, and in its creating internal passports after 1932 for urban people alone (a ‘privilege’ not extended to ruralites until 1974) were practices that China aspired to copy, albeit with its own adaptations.³⁹

³⁷ Alice Miller, “XIII. CHINA UNDER MAO, 5.

³⁸ Susan Shirk, *China: Fragile Superpower* (Oxford: Oxford University Press, 2007), 52.

³⁹ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 33.

This is interesting because it would seem that both the Chinese and Soviets held this practice at a high importance through either the *Propiska* or the *Hukou* system in stopping migration. How well this was implemented and the effects of the *Hukou* system will be discussed later in this chapter but it is clear that the Soviet methods of population controls of internal migration would be used in China. The reason for this in the Soviet Union would be the same as it is China: to keep inline with Marxist-Leninist teachings that one of the scourges of capitalism was urban over-population.⁴⁰

C. DOMESTIC MIGRATION POLICIES ENACTED

With an economy in disarray during the early period after the founding of the PRC and with a strong motivation from the new leadership to legitimize the country the PRC would take the Soviet Union method of economic development by way of “heavy-industry-oriented development.”⁴¹ During this time period, the massive movement of the population internally within China was motivated by the broader economic policies enacted by the government. The policies enacted by the PRC will be looked at first, and then followed by the actual migration trends since during this time government is the driving force to move people.

After 1949 and the founding of the PRC, the leadership would need to find a method to motivate the population to move to urban areas to increase the labor pool to work in heavy industry sectors of the economy. To motivate large amounts of the population to move to the urban industrial centers the state would provide incentives. These incentives were simple: employment and the possibility for a better future with more government assistance. In addition government propaganda aided in gathering a labor force, “peasants flocked to the cities, heeding the call to help in reconstruction and industrialization of the economy.”⁴² This in turn would help economic growth by migration. The first time the PRC would enact industrialization policies on a large scale would be during the first five-year plan in 1953 to 1957 and this would be labeled the

⁴⁰ Ibid.

⁴¹ Justin Yifu Lin, *The China Miracle* (Hong Kong: The Chinese University of Hong Kong, 2006), 29

⁴² Marc Eichen and Zhang Ming, “Internal Migration in the People Republic of China,” 20

“twin peaks”⁴³. “At the heart of the plan was the construction of 156 large industrial projects, all of them imported from the Soviet Union or from Eastern Europe.”⁴⁴ With such large projects, the regime would have to gather a large labor pool to support not only the actual labor in the industrial centers but also in the agricultural sector.

I argue that during the first five-year plan, the incentives to help move people out of the rural areas and the increase in the labor pool in heavy industrial areas would help overall economic growth. During this time the PRC set and lowered the prices of agricultural goods, which in turn created a difficult situation for rural peasants to support a living. This price setting in addition for the need for increase cheap labor in the heavy industrial sectors is what helped drive this mass migration during the first five-year plan. It could be argued that most of the migration was due to the incentives of the industrial sectors but, if a peasant farmer could make a living off the land, the incentives to uproot and move for different employment would have been less and the large number seen moving during this time period would, in turn, have been significantly lower.

While Solinger argues that much of the migration during this time was due to heavy pressures from the heavy industrial sector, “The heavy pressure that was placed on enterprise managers to meet output quotas while keeping down costs led many of them to circumvent their local labor bureaus by recruiting in the country side for low-paid, temporary peasant works.”⁴⁵ I argue against this being the sole reason for taking new jobs and migrating away from home. Prior to the start of the first five-year plan in 1953 but after 1949, during the time of economic recovery, the country was in better conditions than prior to 1949. “By 1952 both industry and agriculture surpassed their highest prerevolutionary levels, and the stage was set for a new phase of development.”⁴⁶ This in addition to land reform or redistribution along with success in the urban areas would give little reason to move out of the rural areas. The best way to do this would be to lower the

⁴³ Barry Naughton, *The Chinese Economy Transitions and Growth*, 66

⁴⁴ Barry Naughton, *The Chinese Economy Transitions and Growth*, 66

⁴⁵ Dorothy J. Solinger, *Contesting Citizenship in Urban China* (Berkeley: University of California Press, 1999), 38.

⁴⁶ Barry Naughton, *The Chinese Economy Transitions and Growth*, 64.

prices in the agricultural sector. From this “...in 1954 nearly two and a half million people were hired in the cities, of whom as many as 70 percent were peasants.”⁴⁷ Cheap labor and the creation of more jobs in the industrial sector would be a positive impact on the over all economic outlook for this time period, at least in the urban and industrial sector.

Another policy that affected urban migration during this time was the *Hukou* system or the household registration system:

The most important barrier separating urban and rural China is the system of household registration. Every household in China is required to be registered in their permanent home. A key feature of the system, however, is that registration is both for a specific location and for a specific status, either urban or rural.”⁴⁸

The purpose of this system was to keep the farmers and rural population working the farms to ensure there was enough food to feed the growing industrial centers and urban population.⁴⁹ It was during the first five-year plan that this policy would come under increased enforcement and people would not be allowed to migrate within China. While in many cases authors argue that populations during this time were not allowed to move, this is not entirely the case.

With the *Hukou* system being enacted during the first five-year plan, a question remain as to why the Hukou system was in effect contradictory to the incentives enacted to move people to the urban centers to work in the industrial sector? I argue that the Hukou system at this time was used less to actually keep people in a certain place and more to provide support for the registered worker in the urban areas. This in turn provided low cost labor that did not have to be taken care of by the state. While the *Hukou* system was enacted and being enforced during this time frame, people were still moving and working in cities without government approval. As explained further in the

⁴⁷ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 39.

⁴⁸ Barry Naughton, *The Chinese Economy Transitions and Growth*, 124.

⁴⁹ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 37.

next section, populations were still growing in the urban centers and in fact a large number of migrants were from the rural sector.⁵⁰

One of the most important aspects of the *Hukou* system was that it was not only a way to keep peasants working the land but also an important method for the government to know whom to support. The *Hukou* was a way to have cheap labor and not have to provide for its citizens working in the urban areas. This is an overall benefit for urban citizens but a negative effect for peasants working in the cities that are not registered. “Once in town, farmers labored as outsiders, generally without most of the basic welfare rights enjoyed by average urban-citizens workers.”⁵¹ This concept of citizens working in urban centers and not receiving the benefits of the government is an important topic to explore. For the simple fact that it is a way to provide cheap labor not have to deal with the concerns and expenses of providing welfare to the average peasant; a type of money saving technique. Overall, this trend of working in the cities without approval was small during this time but will grow in the post 1978 era.

D. MIGRATION TRENDS

After exploring domestic policies enacted during the time period of 1949 to 1958 a closer look at actual migration trends must be explored. During this time period, “In general, the uniquely strong state apparatus shaped and dominated the dynamics of migration, especially before the market transition took place in 1978.”⁵² In other words, it was the state providing incentives that drove internal migration, ensuring that even with policies like the *Hukou* system the urban population would on average still increase. This increase would help to provide cheap labor for the industrial base and push the state’s economic strategy.

With this being stated most of the migration trends during this time period will center on government efforts to push a particular economic strategy and restrict

⁵⁰ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 39.

⁵¹ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 42.

⁵² Zai Liang and Michael J. White, “Internal Migration in China, 1950–1988,” *Demography* 33, no. 3 (August 1996): 375–384, 375.

population movements (which is not necessarily the case post 1978). At face value it would seem that during this time frame these two policies would contradict each other—by keeping people in the rural areas and yet still finding people to work in the industrial sector. I argue that they do not contradict each other. As will be show in this section, the *Hukou* system, which was put into place to stop urban migration, is not really halting urban migration from occurring it is more just for the state to know who receives benefits and who does not at this certain time period. It will not be until the GLF that more strict enforcement will occur. In a more in-depth analysis, the *Hukou* system just provided cheap labor for the urban sector, which in the end is a negative effect on the overall economic growth assessment.

In the cases from 1949 to 1958 prior to the Great Leap Forward, there is a correlation of internal migration trends and government efforts to control or direct those trends. In turn, this positively affects economic growth. However, before looking more in-depth at the overall outcome for the economy during this time frame, the basic migration trends will be studied.⁵³ In Figure 2, Liang and White calculate the expected number of migrants versus the actual observed number of people migrating to cities throughout the country using the “province destination propensity (PDP)”⁵⁴ Examples of some of the cities used as destination for migration are Beijing in the North, Shanghai in the East, Henan in the Central and Shannxi in the Northwest areas of the country.⁵⁵ Liang and White state, “as we have shown, the migration patterns displayed in Figure 2 are consistent with the larger political and economic changes occurring in China between 1950 and 1988.”⁵⁶

⁵³ Zai Liang and Michael J. White, “Internal Migration in China, 1950–1988,” 380.

⁵⁴ Ibid.

⁵⁵ Zai Liang and Michael J. White, “Internal Migration in China, 1950–1988,” 378.

⁵⁶ Zai Liang and Michael J. White, “Internal Migration in China, 1950–1988,” 380.

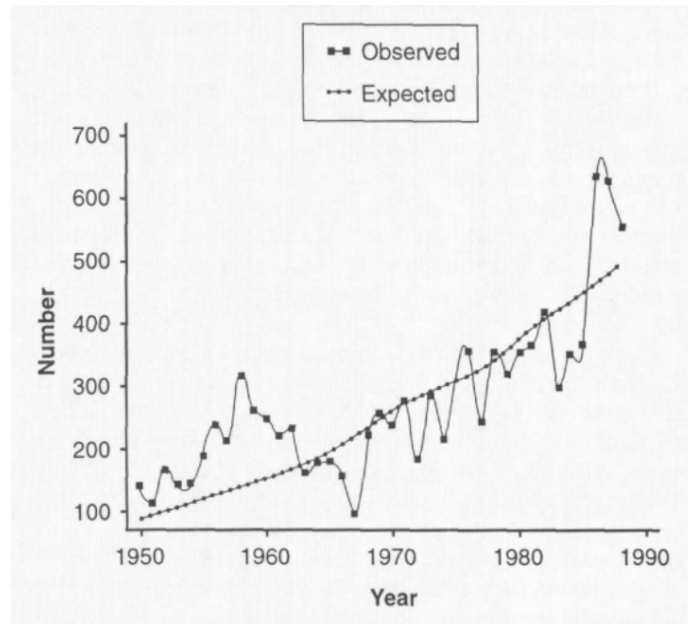


Figure 2. Observed Versus Expected Urban Migrants (From Liang and White, 1996)

Looking more closely at Figure 2, the migration trends to urban or industrial centers from rural areas starts to increase in 1951, decreases in 1952 and then again increases again in 1953. I argue that the decrease in 1952 is due to the end of the first economic recovery when land was being redistributed but before the push by the communist government for large amount of communes. With arable land available to common peasants during this time the incentive for people to move to farming was increased and hence the decrease of migration to the cities.

Kam Wing Chan and Xeuqiang Xu present a graph (Table 1) showing a slowdown in urban population growth during the same time frame as migration declines in Figure 2.⁵⁷ From 1949 to mid-year 1952 the urban population growth is on average increasing by 4 to 5 million people. Then in 1952–1953 urban population growth decreases to 2 to 3 million people on average a year. This matches very closely the migration trends presented in Figure 2. In addition, the data in urban population growth and migration trends also match very well at the 1955–1956 time frame with an increase

⁵⁷ Kam Wing Chan and Xeuqiang Xu, “Urban Population Growth and Urbanization in China since 1949: Reconstructing a Baseline,” *The China Quarterly* (Cambridge University Press), no. 104 (Dec 1985), 597.

of urban population during this time. From 1955–1956 urban population growth increases from 1.3 million in 1954–1955 to 6.3 million during the measurement of 1955–1956. The take away from all this data is that much of the urban population growth seen during this time frame was coming from the rural areas, as seen by Figure 1. Proof of this is the rural to urban migration seen in Figure 2 was increasing, urbanization was increasing (figure 1) and lastly total urban population was also increasing (Figure 1 and Table 1).

**Table 3: Urban Popu
Towns (NPCT), 194**

<i>Year End</i>	<i>Urban Pop. (TPCT)</i>
I	
1949	57·650
1950	61·690
1951	66·320
1952	71·630
1953 ^m	75·260 ^a
1953	77·670
1954	81·550
1955	82·850
1956	89·150
1957	99·490
1960	130·730
1964 ^m	127·103

Table 1. Urban Population* 1949–82 (millions) (From Chan and Xu, 1985)

* Based on Total Population of Cities and Towns (TPCT)

^m Mid-year.

A The first figure reported in 1953 Census was 77. 257. SSB (1982) has adjusted this to 75.260.

Investigating these trends sheds light on the argument that government policies were having an effect on the migration trends from rural areas from 1949 to 1958 prior to the great leap forward. This is important because in the next two sections, I will argue that this would have a direct or indirect impact on the country's overall economic growth.

E. OVERVIEW OF GDP AND CASES OF LIVING STANDARDS

After discussing domestic policies emplaced to direct migration trends, a closer look at the actual economic growth that took place during this time frame is necessary. Since there is no Gini measure of inequality or Human Development Index (HDI) data to put toward a realistic look at economic performance in addition to GDP, general cases of

living standards will be studied. Of the cases being studied the object will be to look at the overall life expectancy, birth and death rates and literacy rates during this time, in addition to GDP.

During the time frame of 1949 to 1958 the average GDP growth in China was 6.0 percent.⁵⁸ While 6.0 percent looks to be a positive outlook for China as 6.0 is thought to be an above average GDP growth rate, this data does not tell the entire story of what was really going on in China during this time frame. In the first case of available data, what is interesting is that during this time frame up until the Great Leap Forward birth rates had peaked in 1954 and were on a steady decline up until the GLF.⁵⁹ In addition, death rates were on a steady decline also up to the GLF.⁶⁰ This can be attributed to the effects of the economic recovery post 1949. With the country in a more liberal state during this time frame, as the country was recovering from the pre-1949 period, rural areas were also recovering, causing birth rates to increase and death rates to decrease. Even with migration restrictions put in place during the first five-year plan the country was still growing and heavy investment from the Government would be a positive effect on the society compared to the revolutionary time frame prior to 1949. In another case study this is also argued but as concerns life expectancy. “ In addition, because most of China’s mortality improvements came after the People’s Republic of China was founded in 1949, China has probably gained on average over 1.5 years of life expectancy for each calendar year since then. This is a record of sustained and rapid progress that has seldom been matched.”⁶¹ Life expectancy, birth and death rates were all moving in a positive direction, this is sign the quality of life was increasing as the economy was also growing. Since, people were being restricted during the first five year plan, an argument can be made that the migration controls during this time were having a positive effect, in addition to reforms enacted during this era.

⁵⁸ Barry Naughton, *The Chinese Economy Transitions and Growth*, 140.

⁵⁹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 165.

⁶⁰ Barry Naughton, *The Chinese Economy Transitions and Growth*, 165.

⁶¹ Judith Banister and Samuel Preston, “Mortality in China,” *Population Council* (Population Council), 1981, 107.

Another case to study is the amount of education through out the country. During the time frame prior to the GLF, education overall increased and in turn increased literacy rates but what is most notable is the inequality between urban and rural areas for educational opportunity. In both higher education rates and basic levels of education, there is a noticeable increase after the founding of the PRC in 1949:

China has achieved remarkable gains in education since the establishment of the People's Republic in 1949, with the most impressive progress being made since the commencement of economic reforms in 1978. By the early 1960s, virtually universal enrolment in primary education had been realized; a coverage rate that still outpaces the rates found in several Asian counterparts.⁶²

This includes an average adult literacy rate of 60 percent around 1960.⁶³ I argue that this is an increase from the pre revolutionary time frame for education overall. This is also included in the higher-level education. From 1949 to 1958 higher-level education increased from .12 (millions) in 1949 to .66 (millions) in 1958 for total enrollments for higher-level education.⁶⁴ The numbers of higher-level education intuitions (HEI) during this time frame also increase from 181 in 1953 to 229 in 1957.⁶⁵ With all this increase of enrollments and institutions during this time frame, over all education was at an increase and another success for overall economic performance during this time period.

With all this being stated while overall education did increase, the question still remains where did it increase? "Overall, we found considerable educational inequality based on where a person lived. For example, the odds of entering junior high school varied systematically with residential location, with those living in large cities having higher odds of entering junior high school in all historical periods."⁶⁶ Simply put, it was better to live in an urban area for educational purposes.

⁶² Xiaolei Qian and Russell Smyth, *Measuring Regional Inequality of Education in China*, Discussion Paper, Department of Economics, Monash University, Australia (Monash University, 2005), 3.

⁶³ Xiaolei Qian and Russell Smyth, *Measuring Regional*, 3.

⁶⁴ Higher Education in China: Access, Equity and Equality 221.

⁶⁵ Higher Education in China: Access, Equity and Equality, 223.

⁶⁶ Higher Education in China: Access, Equity and Equality, 214.

F. ANALYSIS OF ECONOMIC GROWTH FROM DOMESTIC POLICIES TO CONTROL MIGRATION

It is difficult to argue that overall the outlook of economic growth was negative during this time frame but the larger question is whether these migration policies have had a discernible impact on why there was economic success during this period. Overall the economic outlook is positive during this time period but the overall effect of domestic migration policies during had a moderate impact on overall economic performance. This is especially true when compared to the general condition of the economy and living standards prior to the founding of the PRC.

In the urban region the impact of creating jobs was a large portion of the economic success seen in the industrial and urban sectors. “At the heart of the plan was the construction of 156 large industrial projects, all of them imported from the Soviet Union or from Eastern Europe.”⁶⁷ While many of these jobs were lower paying, with the *Hukou* system being emplaced there was a positive effect for the urban and industrial populations. First in general it increased employment overall. The PRC managed to increase in forty years seven times the employment in industrial jobs with only three times the population growth.⁶⁸ These increases in employment rates are again positive. Another reason for this was from the support system that it provided. With being registered in the *Hukou* system those population would have subsidies and health care provided from them unlike the rural populations or peasants at the time (which will be covered in the next section). This ranged from guarantees of grain, food and health care being provided for but in addition, with the migration restrictions in place also rural peasants from migrating into the cities and taking lower paying wages in-turn taking jobs from registered urban citizens.

There were still forms of illegal migration during this period: in 1954 almost 70 percent of the 2.5 million hired in cities were peasants.⁶⁹ In more detail, even with all the efforts of the government’s *Hukou* system, Andrew Walders assesses that as many as 20

⁶⁷ Barry Naughton, *The Chinese Economy Transitions and Growth*, 66.

⁶⁸ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 37.

⁶⁹ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 37.

million rural peasants migrated into the cities to work.⁷⁰ This assessment seems rather large given the data provided in Figure 2 and Table 1. Even with that being said, the main object of this discussion is not the amount of people that migrated into cities at this point, it is that these people that did illegally migrate were left to care for themselves without government assistance. Overall, this lack of providing for even the illegal workers from the rural areas itself is a negative aspect of the overall economic success during this time frame. Another aspect is the legal worker. With the legal residence of the cities and industrial sectors being employed and cared for this is an overall positive aspect for the overall economic success. Overall as the portion of the legal workers being cared for is significantly higher than illegal workers, and with official GDP growth at six percent, the urban sector I will argue as overall an economic success.

On the other side of the argument is the rural sector of the economy. During this time frame, this sector of the economy can also be considered a success. First to consider is the pre First Five-Year Plan. During this time frame, in comparison to the revolutionary days prior to 1949, this era is overall a success. “ By 1952 both industry and agriculture surpassed their highest prerevolutionary levels, and the stage was set for a new phase of development.”⁷¹ The economic outlook over all was positive during this time, with increases of agriculture production every year. For example, rice production was at 48,645 in 1949 and by 1956 it had increased to 84,000.⁷² In addition, Naughton states that grain output during 1949 to 1957 grew at an average rate of 2.2 percent.⁷³

On the purely economical aspect of output, this time frame I consider to be a success but how much of this is from migration? In concerns to migration control much of it can be attributed to these regulations. Since peasants had to work the land from the migration controls and because that was the main employment during that time in rural areas, these policies can be seen as contributing to the overall success and thereby having

⁷⁰ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 39.

⁷¹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 64.

⁷² Stuart Kirby, ed., *Contemporary China*, ed. Stuart Kirby (Hong Kong: Hong Kong University Press, 1958), 29.

⁷³ Barry Naughton, *The Chinese Economy Transitions and Growth*, 240.

a discernible impact. While grain output was high, and people were well fed—as indicated by both death rates decreasing and birth rates increasing—the general welfare of the people was increasing, especially in comparison to the pre 1949 era. Without these migration controls, many of the peasants would have left the rural sectors for the urban employment prospective. While it can be argued that there is no real evidence that peasants would have left the rural sectors if there was no migration restrictions, the fact that migration restrictions were emplaced at all runs counter to this. From this, it can be argued that from the fear and possible prospect of peasants leaving the countryside in mass numbers, that it was migration restrictions that kept them working the land and in-turn kept the grain flowing to the urban sectors. It would not be until the GLF that the government would push for unrealistic goals of grain output that it would devastate the rural sector (this will be covered in the next section).

G. CONCLUSION OF THE 1949 THROUGH 1958 PERIOD

The foregoing analysis indicates that overall the era was a success in terms of the effect of migration controls on economic performance. With increases in both grain outputs and increases of employment given to urban citizens and all the benefits along with those jobs, overall GDP went up and stayed at 6 percent. While a portion of the population did not receive benefits from illegally working in the urban areas, this is still a small portion of the society that was working illegally; which I would argue is outweighed by the benefits provided to the legally working citizens in the urban areas, in turn being a success. Also, looking at birth rates increasing, death rates decreasing and the education of the society as a whole, it hard to argue that this was not a successful time frame for the economy. Migration did play a large role for the economy as a whole both in the urban sector and rural sector. Lastly, on the discussion concerning encouraging urban migration for industry and strict migration control to stop movement away from rural areas, the *Hukou* system is more a tool used to control benefits and less of a tool to control migration during this time period as seen by the actual migration movements, which in the end is negative as it is in essence state sponsored inequality.

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III. THE FAILURE OF THE GREAT LEAP FORWARD, RECOVERY AND STAGNATION, 1958–78

A. INTRODUCTION

This chapter will be broken into two different sections. The first section will study the Great Leap Forward (GLF) and the second will study the events in migration, domestic policies and economic growth after the Great Leap Forward. The reason for this is that the GLF is a period in Chinese history that is uniquely different from the era described in chapter one and also vastly different from the period in 1960 after the collapse of Mao's GLF movement.

This Chapter will argue that during these two time periods, the GLF (1958–60) and the period after that (1960–1978) are two starkly different periods in terms of domestic policies regarding migration controls and economic growth. The domestic policies emplaced would not only have a strong effect on internal migration but also on the economic outcomes from those policies to direct the internal migration of China. With the GLF being a complete failure due to these policies, the period directly after would be held as a moderate success in comparison to the period prior to the Great Leap Forward.

B. HISTORICAL BACKGROUND

At the close of the last period in 1957 prior to the Great Leap forward, 98 percent of household farms had been placed in cooperatives or collectives throughout most of China. Citizens were restricted from moving to urban centers unless approved by the state, which was increasing permission during this period, as the state needed labor in the industrial sector.⁷⁴ With these restrictions being enacted, the overall economy would grow. From 1952 to 1957 this growth would expand industrial production at 17 percent and “virtually every sector of the economy was rehabilitated.”⁷⁵ It would look as though the country was moving toward growth and moving in a direction that would allow the

⁷⁴ Barry Naughton, *The Chinese Economy Transitions and Growth*, 67.

⁷⁵ Barry Naughton, *The Chinese Economy Transitions and Growth*, 68.

country to be eventually becoming competitive in at least the East Asian region but this was not to be. “Within months Mao Zedong had taken the spirit of change so evident in 1957 and turned it in a dramatically new and ominous direction. From unprecedented success, China was about to plunge into unprecedented disaster. The GLF was taking shape.”⁷⁶

C. MIGRATION, POLICIES AND OVERALL ECONOMIC FAILURE OF THE GREAT LEAP FORWARD

With the overall point of this Chapter being to study the migration and domestic policies emplaced on the population of China and the impact it had on the economy as a whole, the GLF stands alone from all other periods discussed in this thesis. The main point of this section will be to argue how the Great Leap Forward and the reaction from the state to the failures from the GLF would, “set down the model for migration control that lasted for the next two decades”⁷⁷ and the takeover of Deng Xiaoping in 1978. In addition, it would be the failed policies of migration control and collectivization of the agricultural sector by the PRC leadership that would help in the cause of the overall economic failure for the short two-year time period of the GLF.

In summary, the GLF was a disaster based on ideology and followed a path against the comparative advantage of China, which was labor-intensive light industry.⁷⁸ The method and result of directing the country toward labor-intensive heavy industry was not only the cause of massive death and famine but also affected the reforms that would come after the recovery period (1960–64) directly after the GLF. The GLF was a push to catch up to the west in steel and heavy industry production, in particular through communes. The State would force large amount of the population into these, which were “large-scale (bigger than collective) combination of government and economic function. It was used to mobilize labor for construction projects, provide social services, and develop rural small-scale industries.”⁷⁹ The most important part of this was the

⁷⁶ Barry Naughton, *The Chinese Economy Transitions and Growth*, 69.

⁷⁷ Dorothy J. Solinger, *Contesting Citizenship in Urban*, 41.

⁷⁸ Justin Yifu Lin, *The China Miracle*, 69.

⁷⁹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 69.

construction projects, as the state was pushing more and more for an increase in steel production they needed an increase in labor, which would come from the rural sector. Naughton summarizes the effect of this best

First, they reduced the supply of production resources (labor and even land) available for agriculture, and especially for food production. Second, they increased the procurement of grain, the compulsory deliveries of food to the state. The first decision implied that there would be less food production in the countryside; the second that the state would take more out.⁸⁰

In addition, the issue with these rural industries was that most of the products made by these back yard steel mills were useless and the overall gain for the country was little. Again, the worst part of these was not the end product produced; it was the directing of manpower away from food production.⁸¹ In addition to the rural sectors, the urban sector also grew and the urban population increased drastically during this time frame. It is estimated that around 30 million people would be moved into the urban centers from the rural sector.⁸² This again would have a negative impact due to the lack of support the rural sector would be able to give from the low amount of labor.

In more detail, the domestic policies during this time period, like the last period, directed the mass movements of the population in China. With Mao having a policy of catching up with the West, mass movements of people were moved into the industrial and urban sectors to support the increase of the industrial investment by the state. From this, a large strain on the rural sector to keep up grain supplies to feed this large industrial sector took its toll; as the urban population grows almost 32 percent or 31.7 million by 1959.⁸³ The lack of ability for the urban sector to actually catch up with the west and the rural sector populations starving from the need to feed the urban sector ended up being a disaster for the entire country, as around 30–40 million people in the rural sector died.

⁸⁰ Barry Naughton, *The Chinese Economy Transitions and Growth*, 70.

⁸¹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 71.

⁸² Kam Wing Chan and Xeuqiang Xu, "Urban Population Growth, 597.

⁸³ Dorothy J. Solinger, *Contesting Citizenship in Urban*, 41.

With these enormous death rates, it is hard to argue against the failures of this time period.

While there are many policies and factors during the GLF that contributed to its failure, which are not stated here, restrictions on the population in rural sector to stay in place and the inability to support both the entire industrial sector and rural sector with grain supplies were large contributing factors to the overall failure of the GLF. It would seem that during this time period, if the population were free to move about the country, the cities would have grown more naturally and the rural sector could have supported that growth since it would have been a more gradual growth.

Instead, the push was too much for the rural sector to keep up with, as in this period of time most of China's population lived and worked in the rural sector. The steep increase in the urban growth was just too much for the rural sector to support. The leadership increased labor output to help support the new need to support less people working in the rural sector but this would fail too: "...The intensive use of labor must raise income more than consumption. To take a simple example, if heavier labor input raises grain output per person by 25 kilograms per year and grain consumption by 50 kilograms, the prospects for growth will be dim."⁸⁴ In short, the consumption of the urban and rural sector was just too much for the rural sectors to support and the increased demand in the urban sector helped to spell disaster for the entire movement of the GLF.

It would be this time period that would, just like the early revolution area in 1949, set the stage for migration controls post period of the GLF. The effect of this time period on migration trends would be vast as after the GLF the country would have to direct movement of masses of people back to the country to help the country recover and start producing food again. It would take almost 5 years for the country to recover and get back to pre-GLF levels of economic success. With the failure of the GLF, the leadership of China would again change its migration policies to shrinking the urban population and sending people back to the countryside and correcting the effects of the GLF.

⁸⁴ Carl Riskin, *China's Political Economy The Quest for Development since 1949* (Oxford: Oxford University Press, 1987), 119.

D. DOMESTIC POLICIES EMPLACED TO DIRECT MIGRATION

Following the Great Leap Forward disaster, policies would have to change, as during the GLF the leadership, including Mao Zedong, would see how negative the impact was on the entire country. There was almost a complete reversal of the GLF policies on internal migration of people in China. These reversals were the beginning of the process to correct the effects from the GLF and reset the Chinese economy to move in a positive direction. While this is a large reversal of the domestic policies emplaced during the GLF and would send millions of people back to the country side, an argument can be made that this would not really help to push the Chinese economy any further than it was prior to the GLF.

As is shown in Figure one (see page 5), a reduction of the urban population by almost 30 million people occurred after the GLF as shown by the sharp decrease in urban population directly after the GLF movement collapsed in 1960 and would continue to decrease until around 1962. "...The forced exodus after 1960 was totally unprecedented. John P Emerson cites figures of 20 million for 1961 and 30 million for the following year. These deportations were not just more sizable than earlier ones; they were also far more successful."⁸⁵ The effects of these forced movements would be felt quickly throughout the countryside and the country would start "to place responsibility for agricultural production on smaller groups of households. Bonuses and other material incentives in industry were revived."⁸⁶

This recovery period would put an emphasis on agricultural production and opening markets in the countryside in order to push for a return to pre GLF rural production. With millions of people being sent back to the rural sector from the urban areas after the GLF, what replaced the communes that ruled the countryside during the GLF? The answer to this is "teams" within the collectives.⁸⁷ In communes there were about 5,000 households, while in teams there were only about 30 households.⁸⁸ The

⁸⁵ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 41.

⁸⁶ Barry Naughton, *The Chinese Economy Transitions and Growth*, 73.

⁸⁷ Barry Naughton, *The Chinese Economy Transitions and Growth*, 235.

⁸⁸ *ibid*

reduction of households within each collective and opening of the markets would make for a more simplified method of choosing what to produce on the farms and in turn more organized and efficient agricultural production. This is shown by the increase of production in agriculture and overall recovery from the GLF.

Along with forced relocation of peasants back to the countryside in the early years in the 1960s other policies would be emplaced to effect internal migration. With the mass movement of people out of the urban areas, companies again would begin to hire labor that was not registered as urban by the *Hukou* system. As it was before the GLF non-urban registered citizens were being used as cheap labor, and so again they were being used after the retrenchment period after the GLF.⁸⁹ The interesting part is that during this period this was not only legal but also endorsed by the state to gather cheap labor (some 13 to 14 million peasants were permitted to enter cities between 1966 through 1976).⁹⁰

Looking more closely at these two main migration patterns during this era of illegal workers and mass forced migration of people after the GLF, Figure 1 shows that overall the urban population leveled off between one and four million people and urbanizations levels moderated till the end of this reform period around 1978 with the takeover of Deng Xiaoping. To ensure clarity, urban population is the total number of people living in urban defined areas while “urbanization means an increase in the proportion of the nation’s population living in urban areas.”⁹¹ The policies put into place to do this were the *Hukou* system and actually enforcing it. In addition, with better living standards in the rural areas, the likelihood of moving to urban areas declined; and more incentives to stay in the rural areas helped to moderate the urban population growth. Lastly, the Third Front—large-scale construction projects built in the interior areas of China in order to gain strategic independence from the outside world—helped to keep people in the more rural areas of the country.⁹² This was not very successful as the interior of China was underdeveloped and the expense of transporting materials from the

⁸⁹ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 41.

⁹⁰ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 41.

⁹¹ Harry Xiaoying Wu, “Rural to Urban Migration in the People’s Republic of China,” 690.

⁹² Barry Naughton, *The Chinese Economy Transitions and Growth*, 73.

coast and then over land (and not being able to make use of rivers or canals) would not end with a positive benefit for most of China. The one benefit it did have was to give employment to the interior areas of China.

Overall during this time period, with moderate migration and restricted migration came moderate economic success equal to that of the pre-GLF time period (this connection will be made later in the chapter). Another important set of domestic policies during this time frame is the Cultural Revolution (CR), Mao Zedong's attempt to push his own extreme ideology by first using students to bring back the support to his revolutionary causes and taking his political opponents (including Deng Xiaoping) out of power by force.⁹³ While the CR caused another dip in the total urban population, the effects of this forced migration were minimal for the total economic outlook. It is estimated that around 12 million students were moved to the countryside from 1968 to 1975.⁹⁴ While Figure 1 does not account for this large number of students being forced to the countryside, it does account for a smaller number of about 8.24 million migrated out of the urban areas. Still, even the bigger number was not enough to truly affect the economy as a whole; and the students being sent away from urban areas were not actively contributing much to the urban work force. In turn the effects of taking these students out of the urban centers would affect the overall economy less than if non-students were moved to the countryside. "From an economic standpoint, the Cultural Revolution was, surprisingly, not a particularly important event."⁹⁵

E. MIGRATION TRENDS

There is a general consensus that the migration that occurred during the periods directly after 1962 to 1964 till about 1976 was very small to moderate. According to author Wu, the total population of urban areas increased on average only one to six percent from 1964 to 1976; with only 1968 and 1969 being negative growth rates in

⁹³ Barry Naughton, *The Chinese Economy Transitions and Growth*, 75.

⁹⁴ Carl Riskin, *China's Political Economy The Quest for Development since 1949* (Oxford: Oxford University Press, 1987), 187.

⁹⁵ Barry Naughton, *The Chinese Economy Transitions and Growth*, 75.

urban areas.⁹⁶ Chan and Xu note that the only net out-migrations were during this time frame so that, “The resulting actual net urban in-migration would be positive, but very small.”⁹⁷

In addition to total urban population being observed, urbanization levels would hover around the same as pre-GLF time periods. So while the official numbers and restrictions emplaced by the domestic policies state that migration and populations in urban areas remained moderate, was there any illegal migration going on unknown to the state? For the most part it would seem no—on a macro level of observation, the overwhelming consensus is that restriction emplaced and the state allowing unregistered workers to enter the cities during this time frame accounted for the small increases over time. As will be presented in chapters three and four, the economic effect from these migrations was moderate and large increases in the economic value in China were seen until the restrictions were lifted and the population was allowed to move more freely.

F. OVERALL ECONOMIC OUTLOOK

During the period following the GLF and up until the start of the reform periods of Deng Xiaoping in 1978, the economy grew in terms of GDP.

⁹⁶ Harry Xiaoying Wu, “Rural to Urban Migration in the People’s Republic of China,” 689.

⁹⁷ Kam Wing Chan and Xeuqiang Xu, “Urban Population Growth and Urbanization in China since 1949,” 606.

	1965	1975	Av. annual growth rate (%)
Population (millions)	725.4	919.7	2.4
GNP (index, 1965 = 100)	100	191	6.5
GNP per capita (index, 1965 = 100)	100	151	4.1
Gross value of industrial output (index, 1965 = 100)	100	269	10.4
Gross value of agricultural output (index, 1965 = 100)	100	148	4.0
Consumption per capita (current yuan)	125	158	2.4
(index, constant prices, 1965 = 100)	100	124	2.2
of agric. population (current yuan)	100	124	2.2
(index, constant prices, 1965 = 100)	100	123	2.1
of non-agric. population (current yuan)	237	324	3.2
(index, constant prices, 1965 = 100)	100	133	2.9
Grain output (m. metric tons)	194	284	3.7
Grain output per capita (kg)	267	309	1.1

Table 2. Indicators of Economic Growth, 1965–1975 (From Riskin, 1987)

As presented in Table 2, GNP grew on average 6.5 percent over the period from 1965–1975, with GNP per capita increasing 4.1 percent. Table 2 shows that many aspects of the economy were improving from 1965 to 1975. In 1965 grain output was still near the level measured in 1957 prior to the GLF and output per capita was still 11 percent below the 1957 value.⁹⁸ To really grasp economic performance during this time period general living standards and inequality will be used. As it is shown general economic conditions as a whole are increasing over this period. But to what extent is this economic performance seen by the average Chinese citizen in the measurement of living standards and, in the next section of this chapter, what extent of this can be attributed to internal migration?

During this period, inequality between the rural and urban sectors was still very apparent. As in the last chapter and again in this chapter, urban residents will still have a much higher quality of life that was supported by the state. This would include improved

⁹⁸ Carl Riskin, *China's Political Economy The Quest for Development since 1949* (Oxford: Oxford University Press, 1987), 186.

job security, subsidized food grains and commodities, health care, pensions for retirement, primary and middle school education, and low cost housing.⁹⁹ I will argue that the use of the *Hukou* system during this time frame was one cause of overall low economic performance. The evidence is clear in this time period: with people unable to migrate and seek out better opportunities and the state locking citizens into a certain type of work; the state was creating a caste system.¹⁰⁰ How can a society be truly successful if there is state sponsored inequality?

In the rural areas, these types of benefits just did not exist on this scale as it did in the urban areas. While the state did provide a substantial amount of benefits to the urban resident, the rural areas of the country were not completely left out; from this comes the barefoot doctors.

Rural medical services were massively expanded as a result of the Great Proletarian Cultural Revolution, which began in 1965. As part of this expansion, agricultural workers are trained to meet rural needs for environmental sanitation, health education, immunization, first aid, and some aspects of primary care and post-illness follow-up.¹⁰¹

With a large portion of China's population still living in rural areas during this time frame, around 80 percent, this was necessary to ensure a healthy rural population but to what extent were these barefoot doctors actually successful, compared to the urban doctors?¹⁰² One indication of this being somewhat successful is looking at the birth and death rates during this time frame. While some of this increase can be contributed to overall increase of grain and returning to pre GLF conditions, some of this success would need to be contributed to these barefoot doctors. While these doctors were not 100 percent effective, it was a choice that was logical and effective for China. With such a large portion of the Chinese population living in the rural areas, any care is better than

⁹⁹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 117.

¹⁰⁰ Barry Naughton, *The Chinese Economy Transitions and Growth*, 116.

¹⁰¹ Victor W. Sidel, "The Barefoot Doctors of the People's Republic of China," *The New England Journal of Medicine* 286 (June 1972), abstract.

¹⁰² Victor W. Sidel, "The Barefoot Doctors of the People's Republic of China," abstract.

none. Birth rate and death rates steadily improved following the GLF recovery around 1963 until the present.¹⁰³

During this time period, moreover, life expectancy steadily increased throughout the entire country. Life expectancy in 1930 was 20 to 25 with a dramatic improvement to 61.7 to 64.4 in 1972–1975, on the basis of surveys taken with Chinese farmers.¹⁰⁴ Rural areas in addition to urban areas were experiencing increases in life expectancy, an obvious counter argument to how bad the conditions were in the rural areas compared to urban areas.

Educational differences between the rural and urban sectors must also be looked at during this time frame. Selective inequalities are present during this time frame, especially during and after the Cultural Revolution.¹⁰⁵ “For example, the odds of entering junior high school varied systematically with residential locations, with those living in large cities having higher odds of entering junior high school in all historical periods.”¹⁰⁶ This is another example of the rural sector not receiving as much support from the state as the urban sector. From the restrictions on internal migration emplaced on the rural sector, the state was able to provide more support to urban citizens and less on the rural sector. This inequality in education is another example of lower economic performance throughout this time period.

While during this time period, living standards did increase in the rural areas with barefoot doctors, death rates, birth rates and life expectancy; still apparent were the effects of strict enforcement of restrictions on migration. If the population were allowed to move more freely, and receive better benefits from the state in the urban areas would rural peasants really be better off in the urban areas? I argue no, because the state could most likely not afford to pay for care, education and food for large amounts of people

¹⁰³ Barry Naughton, *The Chinese Economy Transitions and Growth*, 165.

¹⁰⁴ Judith Banister and Samuel Preston, “Mortality in China,” *Population Council* (Population Council), 1981, 107.

¹⁰⁵ Xueguang Zhou, Phyllis Moen and Brandon Tuma, “Educational Stratification in Urban China: 1949–94,” *Sociology of Education* (American Sociological Association) 71, no. 3 (Jul 1998), 215.

¹⁰⁶ Xueguang Zhou, Phyllis Moen and Brandon Tuma, “Educational Stratification in Urban China, 214.

moving into the cities. By staying in the rural areas, at least people remained in a stable environment with some form of minimum care and education. Had they been able to move to the cities, people would have been treated like lower ranked citizens and not legally received care and education or the support from the state to pay for all the people population growth in urban areas. So during this time frame, the migration directed by the state might have benefitted the population as a whole but only moderately.

G. CONCLUSION

During the period from 1958 to 1978 prior to major reforms in 1978, only moderate success in the economy is seen. Living standards improved overall but no major increases in economic performance were seen until later years. While the state did make efforts to improve the living standards for the peasants and the rural sector in this time period (barefoot doctors), migration as a whole benefitted the people moderately as the state was recovering from the GLF disaster. As the state was not ready or willing to support major reforms in either sector, it did allow a less restrictive policy on internal migration. During this period, I argue that while there was only moderate success seen on all aspects of the economy, this would be the best the state could perform. Only after Mao Zedong died would a new leader come to power that could emplace a more growth friendly economic policy with less of an ideological stance.

IV. THE RURAL REFORMS AND THE GROWING “FLOATING POPULATION,” 1978 TO 1993

A. INTRODUCTION

With the death of Mao Zedong in 1976, and the rise to power of Deng Xiaoping in 1978, massive reforms got underway throughout most of China. Many of these reforms were put in place to push the Chinese economy toward a market economy and focused on the rural sector of the economy. The reforms during the time frame of 1978 to 1993 were, in my view, the most positive reforms seen in China since the founding of the PRC. More than just strictly economic reforms in China were put in place during this time frame that help the economy grow. Another important reform was relaxing migration controls, in turn facilitating migration.¹⁰⁷

The relaxing of migration controls would help to create the floating population.¹⁰⁸ In addition to rural economic reforms, this floating population would help to improve the overall economy in China through entrepreneurship, and pave the path for the future in China through helping create “linkages between rural and urban areas, allowing return flows of people, skills, capital, commodities, and information.”¹⁰⁹ In addition, the effects of cheap labor on China and its ability to turn its economy around helped shift the Chinese economy toward its present incarnation. In this chapter, I will argue that migration had a discernible and positive impact on the overall economy, as measured by economic growth along with the Human Developmental Index (HDI) and the Gini coefficient. This will be the first time I will introduce these latter measurements since the data was not available prior to 1980 in most cases.

¹⁰⁷ Jianfa Shen, “Rural Development and Rural to Urban Migration in China 1978–1990,” *Geoforum* (Pergamon) 26, no. 4 (1995), 396.

¹⁰⁸ Zai Liang and Michael J. White, “Internal Migration in China, 375.

¹⁰⁹ Rachel Murphy, *How Migrant Labor is Changing Rural China* (Cambridge: Cambridge University Press, 2002), 1.

B. HISTORICAL BACKGROUND

Once Mao Zedong died in 1976 and Deng Xiaoping fully took over as the driving force behind economic reforms in 1978, the PRC undertook a concerted series of reforms orienting it toward becoming a market economy. While Deng Xiaoping was not the official Head of the Communist Party during this time, his subordinate and actual decision maker was Zhao Ziyang. He was actually responsible for directing the Chinese economy and helped the China create its unique market economy. This era created by both Deng Xiaoping and Zhao Ziyang would be an era of “reform without losers,” as illustrated by the unique dual track system put in place.¹¹⁰ Reform without losers has been articulated as the idea of reforming the economy by allowing markets to emerge but subsidizing the firms and state owned enterprises that were not profitable, in turn allowing people to keep their jobs. The dual track system, with both the planned economy run by the government and private enterprises present in the Chinese economy at the same time, is an oft-cited example of the innovative and transformative nature of the reforms put in place from 1978 onward.

The focus of these reforms during this time frame was the rural areas. Importantly, the idea of populations of people moving from the rural areas to urban areas would have a large impact on the economy.

Although official policies regarding rural-to-urban migration remained largely intact throughout the 1980s, controlling de facto migration has become increasingly difficult as China’s transition to a market-oriented economy progresses. Some peasants living in suburbs now commute regularly to cities...¹¹¹

This is an important aspect of this portion of history to examine, as it is uniquely different from the era prior to the 1980s and will be examined more in depth in later in this chapter.

Broadly speaking, this era began implementing the idea brought up by Zhao Ziyang but put into words by Deng Xiaoping of “crossing the river by feeling for

¹¹⁰ Yingyi Qian, “How Reform Worked in China,” in *In Search of Prosperity Analytic Narratives on Economic Growth*, ed. Dani Rodrik (Princeton: Princeton University Press, 2003). 307.

¹¹¹ Zai Liang and Michael J. White, “Internal Migration in China, 375.

stones.”¹¹² From the dynamic political environment during this time period, China would have to be on a path of cautious and gradual reform to ensure that members of the party would support the reforms without causing too much opposition from party members.

C. DOMESTIC POLICIES

During the early years of the reform without losers era, domestic policies toward migration would be unchanged from the prior years but with little enforcement of the migrations of people. I argue in this particular section that even with the implementation of the *Hukou* system the state made policies to entice farmers and peasants to move to the urban areas in search of better employment opportunities in turn helping the economy overall.¹¹³

During the 1980s, the state would once again, keep up the implementation of the *Hukou* system throughout the country. This in turn allowed registered urban residents to receive state provided benefits. While these policies were still being enforced during this time, people were migrating. The first policy to entice people to move to the urban areas would be the breaking up of the communes.¹¹⁴ With the breaking up of the communes the state began to contract out land to households to farm; in turn, the farmers were allowed to farm the way they saw fit and had the ability to make profits.¹¹⁵

These reforms started a chain reaction of migration throughout the entire country. “As the surplus labor that had been hidden in the communes began to be revealed, millions of rural workers were freed from the redundancy under which they had been laboring. As a result, no doubt in line with family decisions, many set off for towns.¹¹⁶ In addition, “rural people are encouraged to engage in other economic activities such as manufacturing, construction and retailing.”¹¹⁷ This rural reform is a very important

¹¹² Barry Naughton, *The Chinese Economy Transitions and Growth*, 91.

¹¹³ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 45.

¹¹⁴ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 46.

¹¹⁵ Ibid.

¹¹⁶ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 46.

¹¹⁷ Jianfa Shen, “Rural Development and Rural to Urban Migration in China 1978–1990, 396.

aspect to spend more time discussing in depth in this chapter, as it was not only the focus of this era but also would start a chain reaction to the changing the planned economy to a more market economy. Peasants, like all people, only want a better life with more opportunity to have a higher quality of living standards. With fewer jobs in the rural farming sector as less labor would be needed, these workers were going to move as they needed employment to live and the rural sector was not going to provide that type of living anymore. This is what would help to create the floating population seen even presently.

With the breaking up of communes, the only real place to move to for employment would be the urban area. With this occurring, the urban sector would now also have to make changes and begin to reform the markets. Allowing markets to emerge in the urban sectors in turn allowed for non-registered urban residents to earn a daily living and created competition for the state providers.¹¹⁸ This is very important, as there was now a way for peasants to earn a living without the state providing complete assistance and this motivated people to move to the cities. The combination of lack of employment in rural areas and a new ability to earn a living with employment in urban areas provided enticement to move to a city or towns. Second, with the peasants hungry for employment, this helped produce low wage jobs in the urban sectors.¹¹⁹ As peasants needed work and were willing to work at low wages, cheap labor would become evident during this time. This in the end would be a positive step for the Chinese economy, as not only were markets and competition emerging, but also people were becoming free to decide for themselves how to live and how to best spend their own wages.

Investigating the additional labor that came from the breaking up of communes and freeing peoples to move more freely throughout the country, rural to urban in particular, more domestic policies would need to be implemented to solve the issues of rural citizens moving to the urban areas. In the summer of 1978, "... economic advisor Xue Muqiao proposed permitting young people to set up their own privately funded and operated enterprises, in order to remove the strain of creating jobs for them all from the

¹¹⁸ Jianfa Shen, "Rural Development and Rural to Urban Migration in China 1978–1990, 396.

¹¹⁹ Ibid.

shoulders of the state.”¹²⁰ This is just another example of the state endorsing migration to the urban sectors. The state during this time was pushing not necessarily for internal migration but as the rural reform began, the side effects of this would force the state into enacting even more domestic policies.

This is especially true in examining Document No. 1 in 1983 with the Household Responsibility System (HRS).¹²¹ This new policy made a push for and allowed household farmers to hire labor, own machinery, freely market their own goods after the state quotas were met and lastly market these goods in new areas.¹²² In addition, it “was introduced in the rural areas to stimulate agricultural productivity and the state procurement price of grain has been increased several times to stimulate agricultural production.”¹²³ This is instrumental in the domestic policies enacted for the rural areas. By making it possible to hire labor freely, the state is, as a side effect, endorsing internal migration because if the farmer did or did not need labor, they would hire or fire labor. From observing this, people would have to start moving, as farmers either needed more labor or not. With a market for labor on the farms, people would have no choice but to migrate to cities as seen during in the early years of this time frame.

While the employment in the urban sector and rural sector were possibly not the highest earning jobs, it would be a step in the right direction. Entrepreneurship started to take shape as people were freed to make decisions with their own profits. I will argue that along with the ability to migrate more freely throughout the country, making profit and having all around more freedom to decide one’s own future to some extent, were positive for the economy. As to allowing more individual rights, is a step in the right direction to sustained economic performance, as discussed in more detail later in this chapter.

¹²⁰ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 47.

¹²¹ Carl Riskin, *China’s Political Economy*, 289.

¹²² Ibid.

¹²³ Jianfa Shen, “Rural Development and Rural to Urban Migration in China 1978–1990,” *Geoforum* (Pergamon) 26, no. 4 (1995), 396.

D. INTERNAL MIGRATION TRENDS

Investigating more in depth domestic policies, it can be argued that domestic policies did have an effect on migration trends in China throughout this time period. I would argue that it was not domestic policies that drove these migrations; it was the lack of enforcement of internal migration restrictions and allowing the people to have the freedom to move as they wanted and saw fit to benefit themselves overall.

In terms of the actual migration trends, examining Figure 1 (see page 5) again, while there are two distinct spikes in urban population in between 1978 and 1993, the most important feature is not the actual urban population it is the urbanization levels. While the urban population is increasing overall the urbanization level is also increasing. With urbanization increasing, this means “an increase in the proportion of the nation’s population living in urban areas.”¹²⁴ This meaning that more people were moving to the cities and out of the rural areas throughout this entire time period. From this, rural populations were decreasing and urban populations were increasing—without mass forced migrations. In this instance these migration were by choice.

The idea of migration by choice points to an important aspect of the Chinese economy and population during this time period as it shows a possible underlining reason for why people were moving. With so many people migrating to cities, people were looking for a better opportunity to make a living from better employment.

Overall, the number of people migrating during this period on average was shrinking the number of people living in rural areas through out the entire country. It is estimated that during the period of 1982 through 1987 around 2.6 million people moved from rural to urban areas.¹²⁵ While this number of people is smaller than many estimates, this set of numbers does not include people moving within the same city or town, which puts this number of migrants at around 5.7 million.¹²⁶ In addition, it does not include all of the people migrating back and forth as members of the floating population. The

¹²⁴ Harry Xiaoying Wu, “Rural to Urban Migration in the People’s Republic of China,” 690.

¹²⁵ Jianfa Shen, “Rural Development and Rural to Urban Migration in China 1978–1990,” *Geoforum* (Pergamon) 26, no. 4 (1995), 406.

¹²⁶ Ibid.

number of people stated above is a steady increase through out this time period, and only during this small time frame of six years, the increase of people moving to cities is very significant. With concerns to rural peasants, “They form the largest peacetime movement of people in history.”¹²⁷

One significant aspect during this period is that most of the migrations were seasonal. “During the early years of migration from the fieldwork counties, most of the mobility was seasonal: migrants performed odd jobs for short periods in the city, returning home for the Spring Festival (spring planting) and for summer and autumn harvest.”¹²⁸ The reason for noting this is that while it is evident that massive amounts of people migrated to the cities during the first reform era, the actual numbers have to be estimates as many of these people were not living in the cities full-time.

So a question must be asked and addressed as to how significant is the floating population during this time? I argue that it is significant, very much so. To summarize the floating population in more detail than previously stated above

The floating population first appeared in 1982 after the successful completion of the rural reform. Growth of the floating population experienced a sharp rise in the mid-1980s followed by the relaxation of government rural- urban migration policy and buoyed by the rapid growth of the national economy during this period.¹²⁹

While there are many discrepancies in the actual number of people that were moving in this floating population, I am not going to estimate the number of people floating and will only state that it did have a discernible impact on the country’s economy as a whole. Having established that there are in fact a steady number of people moving on their own and are looking for better life opportunities in the urban sector, how did this affect the overall economy of the country?

¹²⁷ Rachel Murphy, *How Migrant Labor is Changing Rural China*, 1.

¹²⁸ Rachel Murphy, *How Migrant Labor is Changing Rural China*, 40.

¹²⁹ Joseph C.H. Chai and B. Karin Chai, “China’s floating population and its implications,” *International Journal of Social Economics* (Emerald) 24, no. 7 (1997), 1039.

E. OVERALL ECONOMIC AFFECT OF INTERNAL MIGRATION

The economy as a whole benefitted from the relaxation of internal migration reforms in place during this time period. There are many factors that are involved in this but it is the focus on agricultural sector reform during this time period that began the massive positive growth seen in China from 1978 onward. These reforms are summed up best by Naughton: “The rural reforms began with a simple policy decision: the government should reduce the pressure under which farmers had operated for the pervious 30 years.”¹³⁰ This reduction in pressure and allowing more freedom to farmers or collectives in the production cycle on their own plots would then free up more labor.¹³¹ These simple reforms helped to create the entire economic boom seen during this era. It was from this set of reforms that labor was freed up to migrate and create the floating population. With this, what did the actual economy look like at this point in time? First, GDP grew at an average of 9.6 percent during the time frame of 1978 to 2005.¹³² This is up from 6.0 percent GDP growth in the two earlier reform eras. I argue that much of this growth was made possible by the migration movements seen in this time period. The ability for rural citizens to move and contribute to other markets in the private sector will result in growth for both urban and rural sectors. First, rural improvements can be seen in the rural areas from this migration by the transition of ideas. “It is becoming clear that migration establishes linkages between rural and urban areas, allowing return flows of people, skills, capital, commodities, and information.”¹³³ From this I argue that while human and physical capital is the most important item passed from migrations in and out of rural and urban areas that information is also an important items passed from different sectors. It is because of ideas and information, that people can learn better methods of living, health and more efficient methods of producing more capital.

¹³⁰ Barry Naughton, *The Chinese Economy Transitions and Growth*, 88.

¹³¹ Ibid.

¹³² Barry Naughton, *The Chinese Economy Transitions and Growth*, 140.

¹³³ Rachel Murphy, *How Migrant Labor is Changing Rural China*, 1.

This has the possibilities to change an entire country quickly and as seen by the dramatic increase in capital flow, living standards and GDP from the Cultural Revolution era to the first reform era.

As seen, the economy was growing much more than previously seen since the founding of the PRC. What were the actual living standards seen for the rural and urban sectors during this time frame? To measure this I will use the Human Development Index (HDI), which takes into account many of the dimensions considered in the last two chapters (e.g., education, income inequality, gender inequality and poverty rates). Much of this information was not available before 1980 since China was not open to the world for observation. It can now be used to more efficiently take measurements of the true economic performance seen during this economic reform. Taking into account all of these measurements this graph shows a simple trajectory of the HDI for China during this time period.

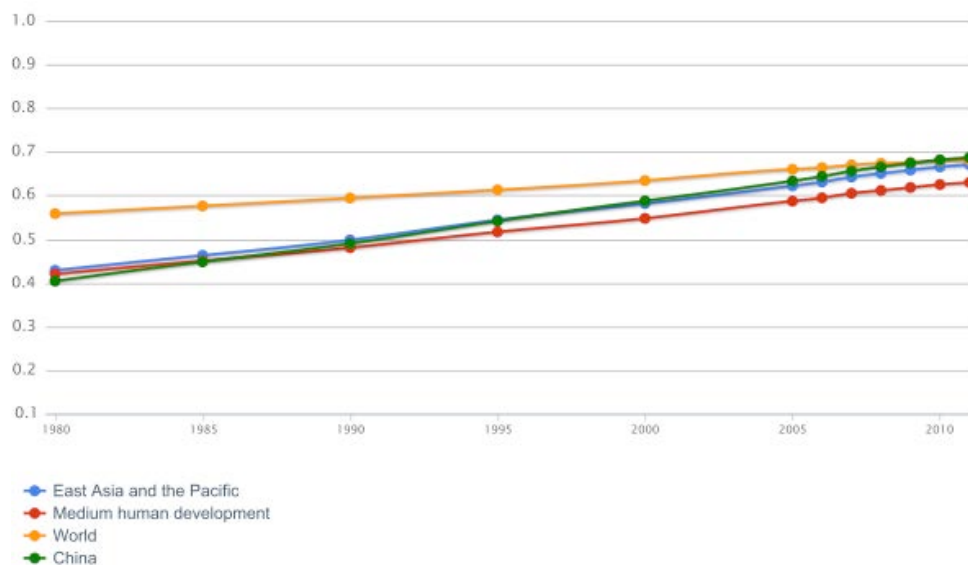


Figure 3. Human Development Index: Trends 1980 – Present (From United Nations Development Program, 2011)

As can be seen from Figure 3, the green line shows the improvement by China during this time. China two years after the reform era was already moving in a direction toward massive improvement in living standards. In 1980, The Chinese started at 0.404

HDI and by 1990 they improved to 0.490. Besides the great improvement in living standards, Figure 3 is also important to note the position of the Chinese HDI rating in 1990. After 10 years from the initial reforms in 1978 the Chinese already surpassed the medium human development. While the medium human development index keeps increasing, it is clear that China exceeds these average improvements and passes from low human development to medium within 10 years of reforms. While China is not anywhere near the level of the United States at this point, which was 0.837 at this time, it is clear that China is making the effort and moving in the right direction; indeed China essentially catches up with the world average by 2010, having started out considerably below it in 1980.¹³⁴ These improvements in living standards are in my view, the most important improvement and indicator of true economic performance that has been made since 1949 and the founding of the PRC.

Again, looking back and going into more in-depth, it was not all from the domestic policies in place, but more from relaxation of domestic policies as the people were more freed to make their own decisions, to include migration. With migration to the urban centers came a reduction of the underemployed in the rural sector.¹³⁵ Much of the population would leave the rural sector as making a living or having adequate employment was not possible, hence the migration movements to the urban sectors. Proof of this is in the data, “Since 1982 about 100 million farmers are reported to have migrated into the cities and by 1995, the rate of agricultural surplus labor had reportedly dropped to nearly half, namely 22.4 percent.”¹³⁶ This reduction of labor would mean one important aspect of migration, a reduction of poverty in the rural areas as the urban sectors absorbed the extra labor from the rural areas.¹³⁷

Improvement was not just seen in the rural areas during this period of reform but it was also seen in the urban areas. With relaxation of domestic policies in migration

¹³⁴ United Nations Development Programme, *International Human Development Indicators*, 2011, <http://hdrstats.undp.org/en/countries/profiles/CHN.html> (accessed 2012 йил 7-Ок).

¹³⁵ Joseph C.H. Chai and B. Karin Chai, “China’s floating population and its implications,” 1042.

¹³⁶ Ibid.

¹³⁷ Joseph C.H. Chai and B. Karin Chai, “China’s floating population and its implications,” 1043.

came the development and increase of individual enterprises in the urban areas.¹³⁸ Between 1985 and 1993 retail, catering and service industries all grew dramatically.¹³⁹ This is an important aspect of the general living standards not only because it shows employment was available in the urban sector but also that since there was a need or demand for the service industry in general that there was extra capital to be spent, in turn further stimulating the economy and contributing to economic growth.

Some of the negatives of the massive migrations seen during 1978 to 1993 are also important to note. First, the rapid introduction of millions of people into an urban area took a toll on urban infrastructure.

Problems such as provisions of housing, transportation, sanitation, water supply and environmental degradation through all types of pollution are, of course, compounded by the impact of the floating population which increases the congestion in China's cities and competes with the permanent urban population for the use of the limited infrastructure.¹⁴⁰

This is important to note because while the economy was growing and quality of life was increasing this can only harm the overall impact of the reforms and possibly set back the country as a whole. Overall, in my view, while this was a negative for the urban sector and has continued to be a problem, this did not overshadow the overall impact of the reforms and positive growth of the economy and living standards seen due partly to internal migrations.

Lastly, the Gini coefficient is a negative aspect seen after 1978. Nationally inequality has grown from 1981 to 2002.¹⁴¹ "By 2001, China's overall Gini coefficient had increased to .447."¹⁴² During this period rural net household income grew from 500 RMB in 1978 to 1,585 in 1991 and urban disposable income growing from 1,701 in 1978 to 3,612 in 1991.¹⁴³ While this is a very large inequality between urban and rural, the

¹³⁸ Ibid.

¹³⁹ Joseph C.H. Chai and B. Karin Chai, "China's floating population and its implications," 1043.

¹⁴⁰ Joseph C.H. Chai and B. Karin Chai, "China's floating population and its implications," 1045.

¹⁴¹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 218.

¹⁴² Ibid.

¹⁴³ Barry Naughton, *The Chinese Economy Transitions and Growth*, 210.

important thing to note is that the rural sector and the urban sector did grow so both were improving. In addition, during the initial years (1978–1985) of the reforms and migrations, the average annual growth rate of income was about 15 percent for rural and 7 percent for urban.¹⁴⁴ While this did drop after 1985 dramatically, both were still growing overall.

F. CONCLUSION

In the end, the slate of reforms, along with relaxation of prior restrictions on migration, seen during this period led to one of the largest economic expansions in Chinese history. The benefits seen by migration had a discernible impact on economic performance overall. First by the returns to the rural sectors: “by participating in migration, villagers obtain more cultural and economic resources and then use these resources to achieve a higher level of physical comfort, to maintain self-respect, and to engage with the changing social world.”¹⁴⁵ This, in turn, helped more of the population invest in a better life and achieve more goals.¹⁴⁶ The increase in the economy and ability of farmers to earn a living and have self-respect motivated the population to buy into the reforms (for the most part) and invest in their own future. This investment, in the end, helped the Chinese to have the success seen today.

¹⁴⁴ Ibid.

¹⁴⁵ Rachel Murphy, *How Migrant Labor is Changing Rural China*, 118.

¹⁴⁶ Rachel Murphy, *How Migrant Labor is Changing Rural China*, 117.

V. FURTHER ECONOMIC REFORMS AND DECREASED QUALITY OF LIVING STANDARDS, 1992 THROUGH PRESENT

A. INTRODUCTION

The next reform period of 1992–93 to the present began with Deng Xiaoping taking his Southern Tour to the Special Economic Zones in southern China in 1992. While Deng Xiaoping was not officially in a position of power at this time, the significance of this tour was so that Deng could publicly endorse the “concept and reality of the SEZs.”¹⁴⁷ Special economic zones (SEZs) were the areas set aside that did not necessarily have to follow all the economic restrictions put on most of China, and were allowed more freedom in trade. “At first, cautious Chinese leaders intended to limit the scope of foreign investment in their country to particular organizational forms and particular geographic regions.”¹⁴⁸ This was a way to test economic reforms without affecting the rest of China, in turn scaling up the reforms that worked. These SEZs were also “bridges linking China to Hong Kong and Macao, and through them to the rest of the world...”¹⁴⁹

The next round of reforms that took place have been labeled as “reform with losers,” making deeper, more irreversible moves toward a more market economy. Reform with losers is the idea that state enterprises would have less forms of subsistence provided to them by the government, in turn forcing them to have to stand on their own feet and be profitable. As Deng took his southern tour he stated, “It does not matter if the policies are labeled as socialist or capitalist, so long as they foster growth.”¹⁵⁰ This is important because as the reforms pushed for further freedom in the market, more and more freedom was allowed in terms migration, following a similar pattern from the last reform period.

¹⁴⁷Barry Naughton, *The Chinese Economy Transitions and Growth*, 99.

¹⁴⁸ Harry Harding, *China’s Second Revolution Reform after Mao* (Washington, D.C.: The Brookings Institution, 1987), 159.

¹⁴⁹ Harry Harding, *China’s Second Revolution Reform after Mao*, 164.

¹⁵⁰ Barry Naughton, *The Chinese Economy Transitions and Growth*, 99.

With increasing migration the economy continued to grow as it did in the last reform era but more negative effects emerged as the ability of the resources and infrastructure in the cities to provide for the increasing number of people was strained. In addition, the rural population experienced more inequality compared to the urban sector, as the urban sector continued to grow much faster than the rural sector. Lastly, HDI continued to grow in a positive direction, showing that China reached the same level as the rest of the world average in HDI measurement and well above the medium human development countries. Overall, I argue that even with all the negative effects from the increase in urbanization and strain on the infrastructure in the urban sector, migration will still have a positive effect on the country in terms of GDP growth. In terms of living standards, however, migration actually hurt true economic performance.

B. HISTORICAL BACKGROUND

The reform without losers and the relaxation of migration controls in the last period was a great success for the Chinese economy. Also, success can be attributed to the economy transitioning from a planned economy to socialist market economy at the close of the 1980s and Deng's southern tour and pushing for more economic reforms. This reform era is more important to the country as a whole in terms of absolute growth rather than just decreasing the subsistence to state owned enterprises that will be seen. These reforms also show a relaxation of the absolute control put on industry in China.¹⁵¹ With less capital going toward industry in the country the industrial sector was forced to change and focus on actually making much more profits. In addition, many of these firms would have the ability to have much more autonomy in decision-making, including the ability to hire and fire people. The effect of this will be discussed later in the chapter.

The 1980s and up to 1992 saw a massive migration of people from the rural areas to urban areas with many positive and negative effects in urban areas as was discussed in the last chapter. Historically, this is the first time this high of a number of people moved from rural to urban areas without the government completely enforcing either restrictions

¹⁵¹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 94.

or forced movement. This migration had both negative and positive effects on true economic performance in China during this era.

C. MIGRATION TRENDS

As was the discussion in the last chapter millions of people were on the move from rural areas to urban areas in search of a better life, as the countryside did not hold adequate employment. During this time period, not only has the number of people moving to urban areas increased, it has increased substantially, as seen in Figure 4.

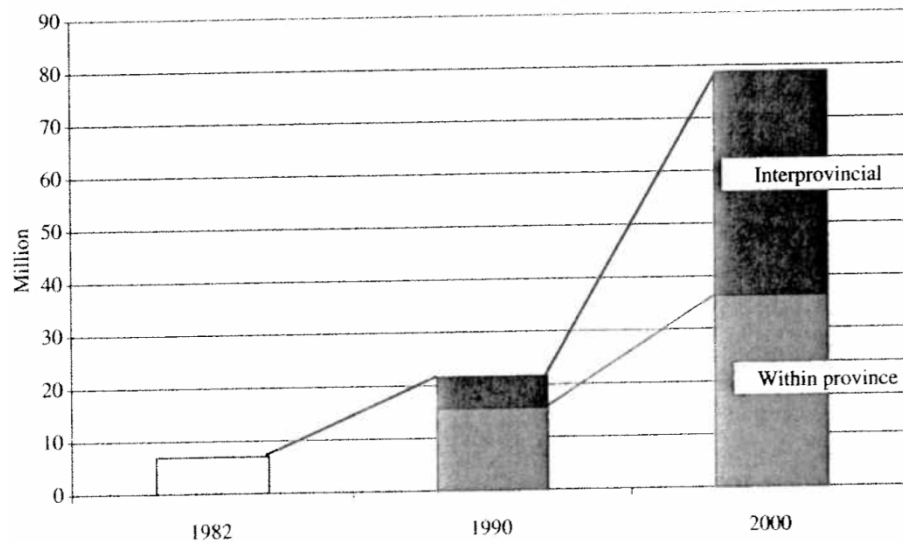


Figure 4. “The long-distance ‘floating population’ in China’s censuses”¹⁵² (From Naughton, 2007)

Looking closely at the millions of people moving, the difference and increase from 1990 to 2000 is substantial. This is a telling sign that there is much behind all the movement of people, with much of the motivations to move being the economic opportunities and successes seen during this time frame. Not only did people move from rural to urban but also from urban to urban. I will argue that this was a sign of instability in the employment market if such a large number of people moved and has increased by about 60 million people in ten years. The reason for this will be discussed in the next

¹⁵² Barry Naughton, *The Chinese Economy Transitions and Growth*, 130.

section but overall I argue it is from the freeing of markets by the state and foreign investment in firms caused part of this increase.

How many of these people floating originated from the rural sector and floated to the urban sector? As noted above, the floating population were not only increasing but also a large amount of these moving people were from the rural areas. This is important because it was a telling sign of the rural sector's employment conditions and how millions of people were searching for better employment, with the urban sector holding those better employment opportunities.

The non-*hukou* migrant population has been growing since the early 1980s. Generally, the size of the rural migrant labor grew from about 50–60 million in the early 1990s to exceed 100 million in the early years of the century. In 2009, the figure was close to 150 million.¹⁵³

Studying more in depth than just the floating population trends, the annual urban growth must also be studied and I will argue that much of the internal migrations during this time period will be due to economic conditions as a whole through China.¹⁵⁴

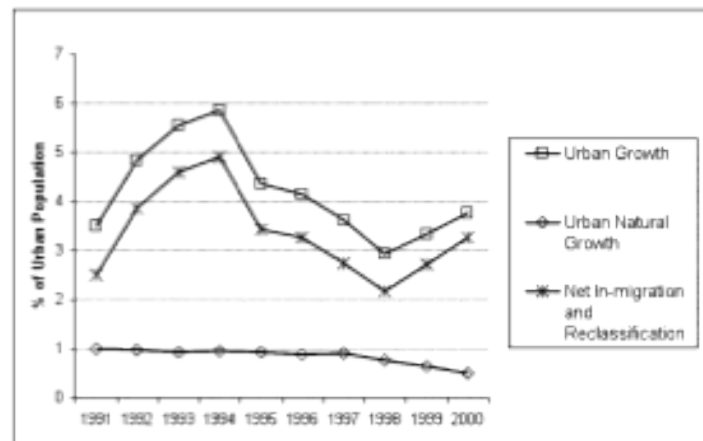


Figure 5. Annual Urban Growth rates and Components, 1991–2000 (From Chan, 2010)

In Figure 5 the natural urban growth is steady in the 1990s and then decreasing as it gets closer to the 2000s. This shows that internal migration is mostly due to the massive

¹⁵³ Kam Wing Chan, "China, Internal Migration," *The Encyclopedia of Global Migration* (Blackwell Publishing), 2010, 1.

¹⁵⁴ Kam Wing Chan, "Fundamentals of China's Urbanization and Policy," *The China Review* 10, no. 1 (2010), 71.

increase of urban growth. In addition, it can be seen that urban growth increases from about three in a half percent to just fewer than six percent in 1994. Also, net in-migration increases from two in a half percent to around five percent of urban population from the same time frame. This correlates very closely with the increases of FDI and Deng's southern tour.¹⁵⁵

Then from 1995–1996 the urban growth and net-in migration decreases in correlation with the economic downturn in China.¹⁵⁶ The urban growth and net in migration begins to increase again after the recovery from the East Asian Financial crisis seen in 1997–98. I argue that while China was not affected as much during this time as the rest of East Asia, once much of East Asia had recovered and the region stabilized you can see the migration and urban growth begin to increase again. Next, looking at the urban population and urbanization level from 1992 to 1997 the increases can easily be seen. The urban population from 1992 to 1997 increased around by about 50 million and the urbanization level increased by about 3 percent.¹⁵⁷ This is a noticeable increase in only five years.

Overall, it can be seen that unlike the Maoist period of 1949 to 1978 most migration during this time is directly caused and correlates with the state of the economy. The better the economy and better the likelihood of finding employment in the urban areas in turn led to the increase of internal migration from non urban areas into urban areas. With this being stated what were the domestic policies being enacted during this period that was causing this mass, never before seen movement of people?

D. DOMESTIC POLICIES

There was a distinct difference between this period (1992- present) and the Maoist period pre-1978. There were two large increases in the floating population during this time, the early 1990s and the early 21st century.¹⁵⁸ Both of these were caused by the

¹⁵⁵ Kam Wing Chan, "Fundamentals of China's Urbanization and Policy," 71.

¹⁵⁶ Ibid.

¹⁵⁷ Loraine A. West, *Rural Labor Flows in China; Introduction* (Berkeley: University of California, 2000), 14

¹⁵⁸ Kam Wing Chan, "China, Internal Migration," 4

economic growth of the country as a whole. With more employment opportunities come more people moving to fill those jobs. I argue that it was the economic domestic policies put in place and the lack of control of the flow of migration during this entire time that lead to this increase in migration. The interesting part of these domestic policies was that they had nothing to do with migration or restrictions put on migrant labor. It was policies put in place to grow the economy in the 1990s that drove the first large spike in internal migration to urban sectors.

In 1992, in coordination with Deng Xiaoping's southern tour, the state would open and push much more foreign direct investment (FDI).

New sectors especially real estate were opened to foreign participation, and manufacturers were increasingly granted rights to sell their outputs on the Chinese market. For the first time the huge potential size and rapid growth of the Chinese market played a direct role in attracting foreign investment.¹⁵⁹

This is very important in concerns to internal migration throughout China. FDI as a share of GDP went from one percent in 1991 to about six percent by 1994.¹⁶⁰ This dramatic increase in investment in China would need people to work in these new firms and investment projects opening.

Since the internal migration policies were still relaxed as seen by the amount of people moving from rural to urban areas in the 1980s, these policies of allowing increase in FDI had a direct correlation on people moving to urban areas or creating new urban areas. "... FDI brings a bundle of management experience, marketing channels, and technology, along with the basic inflow of resources."¹⁶¹ Looking at all the positive aspects that FDI brings to a region its hard to imagine how Chinese peasants would not want to move from the rural areas to the heavily foreign direct invested areas throughout China, in search of better economic opportunities than farming.

¹⁵⁹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 404

¹⁶⁰ *ibid*

¹⁶¹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 405

	Coast	Central	West
<i>Regional percentage</i>			
Population	41.8	35.1	23.1
GDP	61.2	26.7	12.0
Industrial value-added	64.6	24.9	10.5
Fixed asset spending	60.0	24.5	15.5
International trade	92.0	5.3	2.7
Trade by foreign firms	97.4	2.0	0.6
Direct foreign investment	86.6	11.6	1.8
<i>Regional averages</i> (National average = 100)			
GDP per person	146.4	76.1	51.9
FDI inflow per person	207.2	33.0	7.8
Foreign trade per person	220.1	15.1	11.7
Regional trade ratio	150.3	19.9	22.5

Table 3. China: Regional Differences in Development and Global Engagement, 2004
(From Brandt and Rawski and Zhu, 2007)

Another explanation of reasons for the mass movement can be seen in Table 3. In 2004 regional average of GDP per person was \$146.4 on the coast, \$76.1 in the central and \$51.9 in the west. While this is just a snapshot in 2004, it is very clear that incomes and possible economic opportunities in the coastal, urban areas—where the bulk of FDI was directed—was a great deal better than the rural and western areas of China.

The *Hukou* system was another domestic policy still active during this time. While this may have persuaded some to return home or stay home, overall looking at the data or sheer number of people migrating throughout the country, it was not at all very effective.

“Further evidence comes from the findings of other Chinese scholars, one writing in 1994 that ‘because of the *Hukou* system, most go home to marry and don’t return’; and others reporting in early 1992 that, at a psychological level, ‘the household registration system strengthens [peasants] feeling of bond [to the countryside]; they won’t take initiative thoroughly to throw off their ownership power over the land.’¹⁶²

I agree with this point of view in some aspects. First of all, that it does strengthen the bonds of the peasants to their homes in the rural areas but urbanization and migration were just increasing too much for it to be true that many were returning home.

¹⁶² Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 186

The domestic policies put in place during this reform era are interesting to study because while the state seemed as though it was pushing to slow down urbanization, many below the state level were pushing and planning for mass movements to the urban sectors. For example, “By the mid-1990s provincial authorities in the sending regions were reportedly stipulating in their economic plans the number of extra hands in their areas and setting out measures to urge them to go.”¹⁶³ While the city planners were trying to get labor to leave the cities they knew they still had to plan for the additional people moving to the cities. At the same time, “One report in mid-1996 stated that the provincial government claimed that up to three-fifths of its migrants were officially recruited and organized, with the provincial administration’s taking labor orders from other provinces and then recruiting in response.”¹⁶⁴

Observing these two examples, it seems that the state really had no control over what was happening below the state level. While the state was pushing for less urbanization, there are cases of the lower level cities taking labor orders to deliver peasants to different cities. In addition to this, the cities were planning for the extra labor. Even with state directed policies like the *Hukou* system, it seems that every city was adjusting for the peasant labor it knew was coming or had already arrived. It is very apparent that in this era, there would be nothing the state would do to stop the mass increases in migration occurring. The negative aspect is that with all the peasants moving the strain on infrastructure and living standards would increase. This will be discussed more in depth in the next section.

There were some policies enacted, however, that did have a negative affect on migrants in urban areas. For example, the Ministry of Labor in early 1995 enacted the requirements of certificates to be considered a legal temporary resident.¹⁶⁵ The results of this was that different levels of government would charge more for the cards than the

¹⁶³ Dorothy J. Solinger, *Contesting Citizenship in Urban China*, 180

¹⁶⁴ Ibid.

¹⁶⁵ Yaohui Zhao, *Rural Labor Flows in China; Rural-to-Urban Labor Migration in China: The Past and the Present* (Berkeley: University of California, 2000), 24.

state required, in turn hurting the migrant labor.¹⁶⁶ While in the end, this would cause inequality and hurt the cheap labor force, looking at the number of people moving into the cities, it would still seem this had little effect on keep the urbanization level down.

E. OVERALL ECONOMIC SUCCESS

This chapter so far has discussed how migration during this period, even with the efforts of the state to slow down urbanization, has not worked very well. Even as millions and millions of Chinese people have migrated against the law of the PRC to urban sectors to seek employment, the need for labor in the urban sector is just too great and the possibility for a better life there is just too high to prevent people from migrating. With the growing economy and massive increase of FDI during this reform period the under and unemployed people of rural Chinese would move.

With all this migration, what has the effect of this been on China's economic performance? The first aspect to look at is the GDP of China, which grew at an average rate of 9.6 percent over this time period.¹⁶⁷ This is a blistering rate of GDP growth and overall is a positive point for the Chinese economy. Overall, migration in China has had a discernible and positive impact on the growth of the Chinese economy—providing the necessary cheap labor for the massive amounts of FDI throughout China.

Nevertheless, there are far more negatives in this time period in my own view. With the mass movements of people to urban areas one large issue that the Chinese government is still struggling to deal is the strain on infrastructure. With all these people moving into the cities having places to house all of these extra people can become an issue. “Many stay at their places of work and sleep in factory dormitories, market stalls or in sheds on construction sites which as a rule are of extremely poor quality.”¹⁶⁸ The idea of having such a high growth rate of GDP but such bad examples of working conditions negatively affects an assessment of the quality of Chinese economic growth. Another example is the sanitation in the urban areas. If the floating population is taken into

¹⁶⁶ Ibid.

¹⁶⁷ Barry Naughton, *The Chinese Economy Transitions and Growth*, 140.

¹⁶⁸ Joseph C.H. Chai and B. Karin Chai, “China's floating population and its implications,” 1045.

account there is about 2,097 people per public toilet.¹⁶⁹ When it comes down to it, the Chinese government, in my view, is taking advantage of cheap migrant labor. With little support it seems to take care of many of these basic issues of its citizens living in urban areas, how can the economy truly grow? In the long run, I argue, these factors will limit China's ability to grow in the future, and certainly negatively impacts living standards in the country.

Another negative aspect of the mass migrations seem during this time is the increase in environmental pollution. With the increase of people living in the urban sectors, the waste found in the water and air would only increase: "The indiscriminate dumping of garbage into the river owing to a growing number of farmers' markets and the floating population reportedly has caused serious water pollution in Beijing."¹⁷⁰ In addition to water pollution air pollution is now an issue. "Air pollution is also very serious in China because it has the world's highest growth rate in the emissions of carbon dioxide."¹⁷¹ With the growing number of people, this will only keep increasing.

Even with many of the environmental issues that come with growing urbanization due to internal migration, the HDI still seems to be improving. Studying the HDI for this time period, the Chinese have made strides to improve living standards. Looking at Figure 3 (see page 54), it is clear that China has passed the average of the world for HDI in addition to the medium human development according to the HDI. While China it seems has overall improved the living standards of its citizens through sheer economic growth, for a country that is growing at a rate of 9.6 percent GDP for over 20 years now, I would make the argument that these improvements are not great as the HDI states. I would again argue that there are too many issues from the environment to living standards of its migrant citizens. While the Chinese government has increased its HDI dramatically over time, overall the government still has much to improve.

¹⁶⁹ Joseph C.H. Chai and B. Karin Chai, "China's floating population and its implications," 1046.

¹⁷⁰ Joseph C.H. Chai and B. Karin Chai, "China's floating population and its implications," 1047.

¹⁷¹ Ibid.

Lastly, and most importantly, is inequality. The wage gap between the migrant labors in urban sectors and registered labor in urban sectors is large. In 1981 the Gini coefficient was around .31 and by 2001 it has increased by .44.¹⁷² Currently, there are no regulations on pay requirements for migrant workers. “Rural labor migrants are subject to exploitation by local governments, most commonly the police or regulatory agencies, and by enterprise management.”¹⁷³ Local labor and migrant labor are treated very differently.¹⁷⁴ Scholars “also document long working hours and unequal and onerous quality standards being applied to the work performance of migrant laborers.”¹⁷⁵ With the large number of migration occurring in China, something has to be done to provide for a better environment for the laborers—and the *Hukou* system and the household registration system has done little to solve these issues: “Unfortunately, the household registration system created and institutionalized the urban bias, which means that the government consistently favors and protects urban people when making policy decisions.”¹⁷⁶

F. CONCLUSION

In the end, migrant labor did and does have a positive effect on China. The freedom of choice and movement in my view is positive. Migrants supplying labor to foreign direct investments has also helped grow the economy. With this being stated, the negative effects of large amounts of people moving to urban sectors is outweighed by the side effects of the strains it puts on the urban sectors and the conflict it creates between the local labor. “The urban residents resent the competition for urban facilities and the pollution caused by the floating population and they miss the stability of neighborhoods previously guaranteed under the *hukou* system.”¹⁷⁷ If the PRC is unable to find a solution

¹⁷² Barry Naughton, *The Chinese Economy Transitions and Growth*, 218.

¹⁷³ Loraine A. West, *Rural Labor Flows in China; Introduction*, 11.

¹⁷⁴ Ibid.

¹⁷⁵ Loraine A. West, *Rural Labor Flows in China; Introduction*, 12.

¹⁷⁶ Yaohui Zhao, *Rural Labor Flows in China; Rural-to-Urban Labor Migration in China: The Past and the Present*, 27.

¹⁷⁷ Joseph C.H. Chai and B. Karin Chai, “China’s floating population and its implications,” 1047.

for the floating population and urban divide, the high growth that was seen in the past could be decreased, in turn limiting the future potential of the Chinese economy.

VI. CONCLUSION

A. POSITIVE ECONOMIC GROWTH AND THE GREAT LEAP FORWARD

Studying the internal migration of China since 1949, the overall effect of migration on economic performance has had a discernible impact both positive and negative at different times. There are two distinct aspects: the actual migration patterns and their relative effects on the economy; and the domestic policies enacted by the PRC that directly prompted movements whether intentional or not. This is in my view one of the most interesting aspects to investigate in more detail, as well the idea of the unintended outcomes of policies enacted by the PRC that had no motivation to prompt internal migration. One example of this latter effect can be seen in the push by Deng to increase FDI to China during his Southern Tour. As Deng wanted to increase the FDI into China, the unintended outcome would be mass movement from the rural areas to fill the new jobs being created by foreign firms. With such a large population underemployed in the rural sector, these small changes in domestic policies can have large impacts unknown to the PRC leadership, as this example shows.

This thesis has led to the conclusion that it was the push and pull aspect or opposing forces of domestic policies and the migration of the people and labor throughout this entire time period that helped shape economic successes and failures in China. This push and pull aspect is the push by the PRC to control (via domestic policies) migration patterns or urban growth and the pull (internal migration) of businesses and firms for relatively cheap labor that drive internal migration. This in my opinion is the most important aspect in this thesis. The impact that of circular cause and effect is, in turn, a crucial basis of either the economic successes or failures seen throughout the time periods examined in this thesis.

In the end, internal migration has had a discernible and overall positive effect on Chinese economic growth. Whether the cause of the migration was from domestic policies or allowing people to move by choice, the effects are clear. During the time frame since the founding of the PRC there has been by far more positive growth than

negative growth. I will sum up all the periods into three categories, moderate, negative and positive.

The period from 1960 through 1978 saw moderate internal migration. This was the only period with moderate growth. First as a recovery from the GLF and then as the Cultural Revolution started to take hold, this period saw little movement of people (outside of the Cultural Revolution), but saw an increase in living standards for the rural sector. It was in the next period with the relaxing of the labor pool and allowing more people to move more freely that mass growth was seen. The largest negative period was the Great Leap Forward, a period quite separate from the rest of modern Chinese history. This was the only period that had a strong negative effect from internal migration, in addition to other domestic policies enacted during this time frame. It is hard to argue that many positive effects were seen from the mass communization of the rural sector and urbanization of this period—aside from learning what not to do. With the famine and death toll near 30 million, it is hard to come to the conclusion of there being anything but a strong negative effect on this time period.

Even with a large negative effect seen from forced internal migration during the Great Leap Forward, the period prior to this from 1949 through 1958 and 1978 to present, I argue overshadows this short negative period as well as the moderate growth period. To start with, the period from 1949 through 1958 is overall positive. As argued in Chapter two, living standards increased and the economy grew overall. This period was one of massive employment in the urban sector. “At the heart of the plan was the construction of 156 large industrial projects, all of them imported from the Soviet Union or from Eastern Europe.”¹⁷⁸

With the increase in employment, negative and positive aspects still came from this time period due to the *Hukou* system. The *Hukou* system as argued in chapter two brought support and food to the urban sector but not for the rural sector. While this created inequality, I argue that it was not as relevant since the rural sector was growing and land redistribution followed by communization brought growth and stability to the

¹⁷⁸ Barry Naughton, *The Chinese Economy Transitions and Growth*, 66.

rural sector. “By 1952 both industry and agriculture surpassed their highest prerevolutionary levels, and the stage was set for a new phase of development.”¹⁷⁹ Negatively during this period was the lack of support given to illegal workers in urban sectors. Overall this time period I argue is positive, as both the rural sectors and urban sectors were growing and mostly stable throughout the entire time period. The lack of support of illegal workers in cities was the largest negative aspect on this time period. Overall, domestic policies directing internal migration in the urban areas to not migrate and the communization of the rural areas, forcing people to stay in that sector, helped not only stabilize the sector but provided growth in each sector.

Next, is the period from 1978 to 1993, also an overall success. With the push for reforms toward a market economy and the relaxation of internal migration restrictions, this period saw a massive increase in economic growth. The ability of farmers to have more autonomy and hire and fire labor as needed, freed up much surplus labor to migrate to urban areas and relaxed migration restrictions. A large portion of this labor then had the ability to search for employment, which helped to create the Floating Population. From this, urbanization increased drastically as unemployed labor moved to urban areas. In addition, the poverty rate decreased in rural areas, as the urban sector absorbed this labor. “Since 1982 about 100 million farmers are reported to have migrated into the cities and by 1995, the rate of agricultural surplus labor had reportedly dropped to nearly a half, namely 22.4 per cent.”¹⁸⁰ Last to take into account were the HDI improvements seen just two years after the reforms of this period began. In 1980, The Chinese started at 0.404 HDI and by 1990 they improved to 0.490. Only 10 years from the initial reforms in 1978 the Chinese already surpassed the world’s medium human development level. In the end, the ability for rural citizens to move and contribute to other markets in the private sector resulted in growth for both urban and rural sectors.

Lastly, the time period from 1992 to the present has also been a success. First, GDP continued to remain at a level of high growth, not dropping below seven percent. In addition, the floating population continued to migrate more freely and urbanization also

¹⁷⁹ Barry Naughton, *The Chinese Economy Transitions and Growth*, 64.

¹⁸⁰ Joseph C.H. Chai and B. Karin Chai, “China’s floating population and its implications, 1042.

continued to increase. With Deng's Southern Tour, which endorsed FDI, the Chinese economy saw a dramatic increase in FDI, which in turn helped push for more urbanization as more employment, was needed. This need for employment came from new foreign firms investing in the cheap labor found in China and filled by the peasants moving out of the rural areas. In the end this continued to grow the economy and provided a discernible impact on the economy as a whole. Overall, I argue that this migration has had a positive and discernible impact on the Chinese economy but in my opinion this may not last forever.

If you look at the HDI measurements in Figure 3 (see page 54) again, it can clearly be seen that it looks as though China is increasing its living standards for its population as a whole. I will argue here that this is not one hundred percent correct. I believe there is a breaking point for the Chinese population: as urbanization continues to grow, the negative impacts of this could someday limit the continued positive growth of the economy. The first challenge is the working conditions faced by most of the floating population. In many cases these types of conditions are unthinkable in a country with as much growth and development as is seen in China today. In one case, for example, a man earned \$120 a month and was allowed to sleep on three chairs in the restaurant that he worked in.¹⁸¹

While this is just one story, it is evocative of many in China. Another aspect to consider is the environmental issues that come with such a large population concentrated in one area due to internal migration. While the HDI is increasing, pollution caused by large numbers of people and the lack of an ability to clean the water and air could derail China's economic growth trajectory. This is one of the largest problems now and is going to only increase as time progresses unless the PRC takes larger steps to correct it. If something isn't done soon—no matter how much the economy grows and GDP increases—unhealthy living and working conditions will limit what the Chinese are able to achieve.

¹⁸¹ Floris-Jan van Luyn, *A Floating City of Peasants The Great Migration in Contemporary China* (New York: The New Press, 2006), 57.

Just as China has emerged as the world's fourth largest economy, its environment is deteriorating at an increasing rate. The nation's environmental degradation- particularly its rapidly rising level of pollution- threatens to undermine the efficacy of environmental protection measures throughout the world and could have global effects extending beyond the environment.¹⁸²

In the end, China has progressed positively as a result of internal migration and in my opinion can be considered a successful and powerful country. The transition to a market economy and the growth seen since 1978 is remarkable to say the least. While there are many improvements to be made, if the PRC can clean up the environment for its people and the world, along with solving the floating population problem, it can continue on its path to the power it seeks to be.

¹⁸² Chen, Ruoying. "Information Mechanisms and the Future of Chinese Pollution Regulation," 51.

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